

Public Document Pack

Date: 13 July 2018
Ask For: James Clapson
Direct Dial: (08143) 577200
Email: james.clapson@thanet.gov.uk



GOVERNANCE AND AUDIT COMMITTEE

25 JULY 2018

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 25 July 2018** in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor Day (Chairman); Councillors: Bambridge, Buckley, Braidwood, Campbell, Connor, Dennis, Dexter, Dixon, Evans, Larkins (Vice-Chairman), Messenger, R Potts, Pugh and Townend.

A G E N D A

Item

No

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST**
'To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest Form attached at the back of this Agenda. If a Member declares an interest, they should complete that form and hand it to the Officer clerking the meeting and then take the prescribed course of action.'
3. **MINUTES OF PREVIOUS MEETING** (Pages 3 - 6)
To approve the Minutes of the Governance and Audit Committee meeting held on 6 March 2018, copy attached.
4. **INTERNAL AUDIT- QUARTERLY UPDATE REPORT** (Pages 7 - 34)
5. **INTERNAL AUDIT - ANNUAL REPORT** (Pages 35 - 58)
6. **ANNUAL GOVERNANCE STATEMENT** (Pages 59 - 70)
7. **ANNUAL REVIEW OF CORPORATE RISKS INCLUDING QUARTERLY UPDATE**
(Pages 71 - 78)
8. **ANNUAL TREASURY MANAGEMENT REVIEW 2017/18** (Pages 79 - 96)
9. **EXTERNAL AUDIT - AUDIT FINDINGS REPORT**
Report to follow.
10. **AUDIT COMMITTEE ASSURANCE STATEMENT** (Pages 97 - 108)
11. **FINAL STATEMENT OF ACCOUNTS 2017-18 AND MANAGEMENT'S LETTER OF REPRESENTATION**
Report to follow.

Declaration of Interests Form

Item
No

Subject



Please scan this barcode for an electronic copy of this agenda.

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 6 March 2018 at 7.00 pm in Council Chamber, Cecil Street, Margate, Kent.

Present: Councillor John Buckley (Chairman); Councillors Braidwood, Campbell, Connor, Dexter, Evans, I Gregory, Larkins, L Piper, Pugh, Rusiecki and Taylor-Smith

In Attendance: Councillor Rev. S Piper

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Game for whom Councillor Taylor-Smith was present as substitute, and Councillor Venables for whom Councillor Campbell was present as a substitute.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Larkins proposed, Councillor L Piper seconded and Members agreed the minutes of the meeting held on 6 December 2017.

4. EXTERNAL AUDIT GRANT CERTIFICATION LETTER 2016/17

Mr Dean, Grant Thornton UK LLP (GT) introduced the item which advised of the certification of Thanet District Council's Housing Benefit Subsidy claim.

During consideration of the item it was noted that:

- Elements of housing benefit maybe incorporated into universal credit in future, however for the time being, GT would audit housing benefit and continue to have access to the data they needed following the move of the service to Civica.

Members noted the certification letter.

5. EXTERNAL AUDIT PLAN

Mr Dean introduced the item which provided an overview of the scope and timing of the audit for the year ending 31 March 2018.

During consideration of the item it was noted that:

- The deadline for publication of the audited accounts had been brought forward to 31 July 2018. This posed a significant challenge however both the Council and GT were confident that publication would be achieved before this deadline.
- Business rate pooling was a pilot scheme involving Kent Councils. Mr Willis, Director of Corporate Resources offered to brief Members on the subject, when the details are agreed with Government.
- The term 'materiality' was used to determine the value above which a discrepancy would be regarded as important. The threshold is calculated as a proportion of the Council's gross expenditure for the year.

Members noted the report.

6. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

Mr Dean introduced the item which provided a summary of the work done by GT, some emerging national issues relevant to the Council, and some challenge questions for consideration by the Committee in relation to these national emerging issues.

During consideration of the item it was noted that:

- An external audit of utility and telecommunication costs maybe considered in the future, however telecommunications had recently been subject to an internal audit and achieved a substantial assurance rating.

Members noted the report.

7. INTERNAL AUDIT PLAN 2018-19

Christine Parker, Head of the East Kent Audit Partnership (EKAP) introduced the Internal Audit Plan 2018-19.

Councillor Rev. S Piper spoke under council procedure rule 20.1.

During consideration of the item, it was noted that:

- The previous assurance levels detailed in annex 1, showed the assurance level following the initial audit. Many of the areas given limited assurance had demonstrated an improvement when the follow up was conducted.
- Items 7 and 8 in paragraph 2.3 of the report referred to DDC in error; however these issues had been considered with regards to the TDC Audit plan which reflects these national issues, trends and factors.
- The Health and Safety at Work audit was an audit of environmental health and safety at work which assessed health and safety at external organisations. This was different from Employee, Health, Safety and Welfare which was due to be audited separately in 2018.
- The follow up of the street cleaning audit had been reported to the Committee in June 2017. The area had continued to have a limit assurance and a further follow up review was planned to take place during the 2018-19 year.
- A recent audit of risk management had concluded a reasonable assurance level, there would be a follow up to this audit during the 2018-19 year.
- Mr Howes, Director of Corporate resources would make enquires and arrange for a response to Councillor Taylor-Smith's question regarding whether there had been any cyber security breaches.

Councillor Campbell proposed, Councillor Gregory seconded and Members agreed that the 2018-19 Internal Audit Plan be approved.

8. INTERNAL AUDIT QUARTERLY UPDATE

Mr Webb, Deputy Head of the EKAP, introduced the report noting that there had been five internal audit assignments completed since the last committee meeting; three achieved reasonable assurance, one achieved limited assurance, and one assignment regarding housing benefit testing, did not require an assurance rating. Four follow up reviews had also been completed, one of which continued to have a limited assurance. EKAP's performance was shown in annex 4 of the report.

Councillor Rev. S Piper spoke under council procedure rule 20.1.

During consideration of the item, it was noted that:

- Mr Willis would make enquires and confirm to Councillor Gregory whether the requirement to consult on parking fee increases would have an impact on the Council's expected income.
- The East Kent Housing – Fire Risk Assessment Processes and Records Management audit was an audit designed to look at the processes and procedures in place for Type 3 Risk Assessments. The scope of the audit did not duplicate work carried out by others, and therefore did not include a physical inspection of buildings and did not review building cladding. An inspection of building cladding had been conducted by other professional bodies following the Grenfell Tower tragedy in 2017. Members had received detailed briefings on this work at the time that it was undertaken by TDC officers. The audit had concluded a limited assurance level which improved to a reasonable assurance after a follow up review. Three of the four agreed recommendations were completed, with one ongoing.
- East Kent Housing had commissioned EKAP to conduct a further review of Health & Safety during the 2018-19 year. This would include an element to provide assurance on the work undertaken regarding building cladding.
- The audit of insurance and inventories of portable assets had been postponed because the follow up review completing the last audit of this area had taken place fairly recently.
- The follow up review of grounds maintenance had been report to the last meeting of the Committee and therefore was not shown in the agenda.

Councillor Campbell proposed, Councillor Gregory seconded and Members agreed the recommendations in the report, namely:

- That Members consider and note the internal audit update report.
- That the changes to the agreed 2017-18 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved.

9. CORPORATE RISK REGISTER QUARTERLY UPDATE

Mr Willis introduced the report which provided the Committee with an update of corporate risk in accordance with the risk strategy.

During consideration of the item it was noted that:

- Following the recent internal audit on risk management, future reports would include more detail regarding the mitigation work that occurred behind each of the risks shown.
- The mitigation work had enabled the risk scores to remain unchanged.
- The highest possible risk score was 16.
- Following Council's decision not to adopt the local plan, senior officers reviewed the risk score for this area and it was felt that a risk score of 12 remained appropriate.

Members noted the report.

10. REVISED CODE OF GOVERNANCE

Mr Howes introduced the report during which it was noted that the code had been revised to reflect recommendations from the recent audit of corporate governance and the latest CIPFA guidance. The code detailed the procedures and documents that were in place to demonstrate the Council's compliance with the principles of good governance.

It was proposed by Councillor Larkins, seconded by Councillor Campbell and Members agreed to adopt the revised Code of Corporate Governance.

11. CHAIRMAN'S REPORT TO COUNCIL - DRAFT

The Chairman introduced the report and requested comments from the Committee.

During discussion of the item it was noted that:

- The wording in the Chairman's foreword should be amended to clarify to whom the Chairman offered thanks.

Members noted the Chairman's report.

Meeting concluded : 8.15 pm

QUARTERLY INTERNAL AUDIT UPDATE REPORT

25 July 2018	Governance and Audit Committee
Report Author	Head of the Audit Partnership: Christine Parker
Portfolio Holder	Cllr Ian Gregory; Cabinet Member for Financial Services & Estates
Status	For Information
Classification:	Unrestricted.
Key Decision	No

Executive Summary:

This report provides Members with a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st May 2018.

Recommendation(s):

That the report be received by Members.

That any changes to the agreed 2018-19 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex1 of the attached report be approved.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2018-19 budgets.
Legal	The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.
Corporate	Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

Agenda Item 4

	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	
	<i>There are no equity or equalities issues arising from this report.</i>	

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	X
Supporting the Workforce	
Promoting open communications	X

1.0 Introduction and Background

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st May 2018.
- 1.2 For each audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to the relevant member of Senior Management Team, as well as the manager for the service reviewed.
- 1.3 Follow-up reviews are performed at an appropriate time, according to the priority of the recommendations, timescales for implementation of any agreed actions, and the risk to the Council.
- 1.4 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 1.5 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Appendix 2 to the EKAP report.
- 1.6 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.7 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

2.0 Summary of Work

- 2.1 There have been twelve internal audit assignments completed during the period, of which two concluded substantial assurance, seven concluded Reasonable assurance, 1 concluded Reasonable/Limited assurance and two were not applicable for an assurance opinion as they comprised of quarterly benefit testing.
- 2.2 In addition, five follow-up reviews have been completed during the period, one of which (project management) remains Limited Assurance after follow-up.
- 2.3 For the period to 31st May 2018, 21.13 chargeable days were delivered against the revised target of 323.36 days which equates to 6.53% plan completion.
- 2.4 The financial performance of the EKAP is on target at the present time.

3.0 Options

- 3.1 That Members consider and note the internal audit update report.
- 3.2 That the changes to the agreed 2018-19 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.
- 3.3 That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance after follow-up.
- 3.4 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after the completion of internal audit follow-up reviews and update presentations from the relevant Director.

Contact Officer:	Christine Parker, Head of the Audit Partnership, Ext. 7190 Simon Webb, Deputy Head of Audit, Ext 7189
Reporting to:	Tim Willis, Deputy Chief Executive (S151 Officer), Ext. 7617 Ramesh Prashar, Head of Financial Services.

Annex List

Annex 1	East Kent Audit Partnership Update Report – 25-07-2018
---------	--

Background Papers

Title	Details of where to access copy
Internal Audit Annual Plan 2018-19	Previously presented to and approved at the 6 th March 2018 Governance and Audit Committee meeting
Internal Audit working papers	Held by the East Kent Audit Partnership

Corporate Consultation

Finance	Tim Willis, Deputy Chief Executive (S151 Officer)
Legal	Tim Howes, Director of Corporate Governance

This page is intentionally left blank



QUARTERLY INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

1.0 INTRODUCTION AND BACKGROUND

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st May 2018.

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level	No. of Recs.	
2.1	EKS – ICT Data Management	Substantial	C H M L	0 1 1 0
2.2	Environmental Protection	Substantial	C H M L	0 1 2 1
2.3	Garden Waste & Recycling Income	Reasonable	C H M L	0 1 3 0
2.4	Service Contract Monitoring	Reasonable	C H M L	0 0 1 2
2.5	East Kent Housing – Leasehold Services	Reasonable	C H M L	0 0 5 1
2.6	East Kent Housing - Risk Management	Reasonable	C H M L	0 0 3 1
2.7	East Kent Housing – Complaints Monitoring	Reasonable	C H M L	0 1 3 3

Agenda Item 4

Annex 1

2.8	East Kent Housing – Data Protection & Records Management	Reasonable	C H M L	0 3 1 0
2.9	East Kent Housing – Property Services Improvement Plan	Reasonable	C H M L	0 0 1 0
2.10	East Kent Housing – Safeguarding Children and Vulnerable Groups	Reasonable/Limited	C H M L	0 4 0 0
2.11	EK Services – Housing Benefit Quarterly Testing (Quarter 3 of 2017-18)	Not Applicable		
2.12	EK Services – Housing Benefit Quarterly Testing (Quarter 3 of 2017-18)	Not Applicable		

2.1 EKS: ICT Data Management –Substantial Assurance:

2.1.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide an effective, efficient, secure and economical ICT service to the three partner authorities of Canterbury CC, Dover DC and Thanet DC. An important aspect of this being to ensure that the controls over the administration of ICT electronic files, for data protection purposes and back ups are robust and sufficient to enable EK Services to provide the level of ICT service required by the partner Councils.

2.1.2 Summary of Findings

EK Services is currently made up of Customer Services, Income and Payments, ICT and EKHR. Customer Services and Income and Payments are shortly due to be transferred to Civica. This audit focuses on data management within EKS ICT Services and the partner councils, since the councils are the data controllers.

The partner councils formed the East Kent Corporate Information Governance Group (CIGG) in 2016. EKS, ICT and EKHR are represented at this group. The CIGG set up a Data Protection sub group to deal with the new General Data Protection Regulations (GDPR) which take effect in May 2018.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- ICT is not a data controller or processor but provides the partner councils with the means to store data and maintain a secure network, as per the Service Level Agreement;
- Many up to date ICT policies are in place which have been lead by ICT and agreed by CIGG; the policies are displayed on the partner councils' intranet sites;
- Network access is password protected and an up to date password policy is in place;
- Back-ups take place on an incremental change basis and there is a back-up of the back-up;

- An ICT disaster recovery procedure is in place and each partner council has its own disaster recovery/business continuity plan linked to this;
- ICT will advise on cloud security though this is outside of its current remit.

Scope for improvement was however identified in the following areas:

- It is advisable for EKS as a whole to investigate the GDPR requirement to appoint a Data Protection Officer, which could be part of shared service.
- Partner councils and/or CIGG should consider the adoption of the draft cloud policy/guidance, particularly if cloud is to be used more increasingly in the future.

2.2 Environmental Protection –Substantial Assurance:

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by the Council in the following areas of environmental protection:

- Air Quality Management and Air Quality Monitoring;
- Contaminated Land;
- Polluting Industrial Processes (Pollution prevention and control regime); and
- Drinking Water.

2.2.2 Summary of Findings

The Safer Neighbourhoods service area is responsible for complying with a number of Environmental Protection Regulations; these include:

- Environmental Protection Act 1990;
- The Environment Act 1995;
- Contaminated Land (England) Regulations (2000, 2006 & 2012);
- Environmental Permitting (England and Wales) Regulations 2016; and
- Private Water Supplies Regulations 2016.

Air Quality:

In accordance with Part IV of the Environment Act 1995 the Council has set up Air Quality Management area to meet EU and UK air quality objectives. The national air quality objective for levels of Nitrogen Dioxide is an annual average of below 40 ug/m³. There are three monitoring stations within the district which have consistently breached this air quality objective over the past five years. These are at the Square in Birchington and at two locations at High Street, St Lawrence. Uniquely to East Kent, Thanet has established a large Urban Air Quality Management area covering most of the district to help tackle the issue.

Contaminated Land:

Legislation requires local authorities to take a strategic approach in relation to the identification, assessment and mitigation of contaminated land in the district. There are no instances of Contaminated Land in Thanet as defined by the regulations.

Water Quality:

To meet the Water Supply (Water Quality) Regulations 2016 the Council must have processes in place to be able to identify, risk assess and monitor Private Water Supplies which could cause harm to humans. No Private Water Supplies have been

identified within the district. An annual return has to be submitted to the Drinking Water Inspectorate on an annual basis.

Environmental Permitting:

The Environmental Permitting (England and Wales) Regulations 2016 provides a single, streamlined, risk-based framework for permitting in respect of industries and activities which could cause contamination through poor management practice or accidental spills. 29 permits have been issued to businesses and operators throughout the district and these are inspected at intervals which are dependant on the outcome of a documented risk assessment.

Management can place Substantial Assurance on the system of internal controls in operation. The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The air quality monitoring arrangements in place ensure the Council is compliant with the Environmental Act 1995. There are 25 Air quality monitoring stations strategically placed across the district two of which are fixed air quality monitoring stations at the Square, Birchington and in Boundary Road in Ramsgate;
- Procedures are well documented and are consistently applied;
- There are no cases of Contaminated Land or Private Water Supplies in each of the corresponding registers and this reduces the amount of pro-active work that needs to be carried out in these two areas;
- Effective key processes and strategies are in operation to help the Council comply with all major legislation requirements; and
- The governance arrangements in place are sufficient.

Scope for improvement was however identified in the following areas:

- The ongoing need for a large Urban Air Quality Management Area needs to be reviewed annually taking in to consideration any guidance provided by DEFRA;
- Whilst the Council has a Contaminated Land Strategy in place, this needs to be approved by the Cabinet; and
- A Contaminated Land Register needs to be formally introduced to satisfy Section 78R of the Environmental Protection Act 1990.

2.3 Garden Waste & Recycling Income – Reasonable Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that:

- The green waste service is being correctly charged for, in accordance with Council policy and that all income is correctly received and reconciled where the green waste service is being provided.
- The waste recycling income, comprising green waste, food waste, paper/ card, glass, tin and plastic is being correctly charged for, in accordance with Council policy / agreements and that all income is correctly received and reconciled.

2.3.2 Summary of Findings

Agenda Item 4

Annex 1

One of the Council's Corporate Priorities is 'A Clean and Welcoming Environment'. The Council offers a Garden Waste Recycling Scheme for an annual subscription fee, together with a bin hire charge. The Council also operates a free household waste recycling collection scheme; items that TDC are unable to collect can be taken to a waste recycling centre. Full details of the scheme are available on Council's Website. The service contributes towards the Council's target to increase the '% of household waste sent for reuse, recycling and composting'.

At January 2018 there were 9,880 subscribers to the garden waste scheme, some with multiple bins, with the total number of bins being collected 10,101.

At January 2018 the income received for garden waste subscriptions and bin hire for 2017/2018 was:

<u>code</u>	<u>description</u>	<u>Actual</u>	<u>Original budget</u>	<u>variance</u>
11456 8328	Garden Waste Bins	£25,095	7,500	+17,595
11456 8952	Garden Waste Subscriptions	£481,859	400,000	+81,859

The service is generally working well with an effective service being delivered to a significant number of customers. However, manual 'work arounds' developed to manage the service and its income collection are currently labour intensive; the Waste & Recycling section has already identified these concerns and is looking at new systems which would improve the management and income collection processes, not just for garden waste and recycling but across the waste management service.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Fees have been appropriately approved and are advertised along with full scheme terms and conditions.
- Income is received in advance of services being provided.
- Income is banked promptly on receipt.
- Agreements are in place for sale of recyclables.
- Regular performance monitoring is undertaken.

Scope for improvement was however identified in the following areas:

- Processes in place to manage garden waste subscriptions are predominantly manual, resource intensive and, although working, are inefficient.
- There is a lack of full control over bin stocks.
- The recovery of garden waste bins when the service is cancelled is not being undertaken in line with terms and conditions.
- There is a lack of full reconciliation of garden waste subscription and bin hire fees.

2.4 Service Contract Monitoring - Reasonable Assurance:

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council derives the maximum possible value and the highest level of performance and customer satisfaction from its service contracts.

2.4.2 Summary of Findings

Although the initial awarding of contracts is done via Procurement, the subsequent contract monitoring is undertaken by various members of staff across the organisation.

The following sample of five service contracts was selected and reviewed:

- a) Contract ID: 291 – Cleaning Services at Ramsgate Port and Royal Harbour, Ramsgate;
- b) Contract ID: 305 – Cleaning Services – Public Conveniences;
- c) Contract ID: 458 – Provision of Security Services – Ramsgate Harbour, Leopold St Multi Storey Car Park and all Ad Hoc security requirements;
- d) Contract ID: 469 – Cleaning of Communal Area to TDC Dwellings; and
- e) Contract ID: 477 – Provision of Security Services – Council Offices and Mill Lane Multi Storey Car Park, Margate.

It should be noted that only three of the five Internal Control Questionnaires were returned during the process, two of which were from the same manager. No responses were received in respect of Contracts 305 and 469.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- All contract documentation is held with Legal Services; and
- The Procurement process is well documented and evidenced.

Scope for improvement was however identified in the following areas:

- Guidance/Procedural notes were not in place; and
- A training regime needs to be implemented for staff involved in this process, regardless of spends levels.

2.5 East Kent Housing: Leasehold Services – Reasonable Assurance:

2.5.1 Audit Scope

To provide assurance that the service costs incurred by the partner council in respect of relevant properties within the housing portfolio, for which the Council owns the freehold, and which are occupied on lease, or have been sold are appropriately re-charged to the tenants/leaseholders/owners in accordance with statutory provisions and Council policy.

2.5.2 Summary of Findings

There are approximately 1,414 leaseholders within the four partner councils' housing stock. This equates to 9.8% of the total 'general needs' housing stock managed by East Kent Housing (EKH). EKH provide a management service to these leaseholders in accordance with the conditions of lease. Conditions of lease vary between councils, as does the level of service provided by EKH due to the varying degrees of ownership retained by each council.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Service charges are calculated in accordance with the lease agreements;
- All 33 no. invoices tested had been sent out in accordance with the 18 month rule;
- The S20 consultation process had been followed for the testing sample (TDC) and was evident for major works outside of the testing sample;
- Charging proportions have been consistently applied for blocks tested, and;
- Debt recovery is good at CCC and TDC, and improving at DDC.

Scope for improvement was however identified in the following areas:

- Consideration should be given to handing CCC billing responsibility to EKH as they hold the information and buildings knowledge;
- The leaseholder administration fee at CCC should be reviewed as it is out of date;
- The councils should monitor the progress of the development of the capital plan to ensure the full benefits are achieved.

2.6 East Kent Housing: Risk Management – Reasonable Assurance

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the organisation adopts best practices in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the organisation's visions and priorities.

2.6.2 Summary of Findings

Under the Companies Act it is a legal requirement to have a sound system of internal control, including adequate and effective risk management. The EKH Finance & Audit Sub-Committee has delegated responsibility through their terms of reference to manage risk which includes the risk register, risk strategy and risk management process.

At November 2017 East Kent Housing were managing 9 strategic risks and 17 operational risks on their Strategic Risk Register. The five highest scoring risks after mitigation scored by senior management were: -

- Higher Debt Levels when the Welfare Reform changes are introduced (4/9);
- Safeguarding of vulnerable adults & children (3/9);
- Data Protection breach – (3/9);

Agenda Item 4

Annex 1

- Non-Compliance with legislation and regulation (3/9); and
- Failure to address control issues with contracts to Council satisfaction (3/9).

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- The fundamental risk management processes are working well and meet the requirements of the Companies Act 2006;
- A Risk Management Strategy has been formally adopted and contains a good level of guidance and information;
- Roles and responsibilities are well documented and well established;
- Risk identification routines are working effectively; and
- Risk scoring is generally good and the audit trail of changes made to the Strategic Risk Register is well documented.

A number of areas for improvement have been identified in the following areas:

- A new comprehensive risk scoring matrix could be adopted which will solve a number of the issues identified within this risk management audit report; and
- Some misalignment was identified between practices set out in the Risk Management Strategy and operational risk management practices.

2.7 East Kent Housing: Complaints Monitoring– Reasonable Assurance:

2.7.1 Audit Scope

Complaints, comments and compliments are an important source of feedback; they can tell an organisation a lot about the way they work, and provide opportunities to improve and affect perception. How an organisation handles complaints is therefore crucial; handling them well can have a lasting positive effect on reputation; handling them poorly can be very damaging and can make a negative perception even worse.

2.7.2 Summary of Findings

The regulatory standard on tenant involvement and empowerment sets out the minimum requirements for a housing organisation's handling of complaints. It sets out the required outcome that: *'Registered providers shall have an approach to complaints that is clear, simple and accessible and that ensures that complaints are resolved promptly, politely and fairly.'*

An effective approach to complaints handling can have a significant impact on the quality of the services provided and on the satisfaction of tenants: -

- An opportunity to put right any service failures; and a well handled complaint can turn a dissatisfied customer into a satisfied one.
- For tenants, making a complaint is the simplest way of holding their landlord to account and letting them know when they perceive that services need to be improved.
- Complaints are a useful source of information about service delivery, identify where recurring and underlying problems are, and therefore provide the opportunity to make improvements.

Agenda Item 4

Annex 1

Complaints, feedback and compliments received since a designated Complaints Officer has been in post from 01/10/2017 to 03/01/2018 are as follows:

	Canterbury	Dover	Folkestone & Hythe	Thanet	Housing Management	TOTAL
Cllr/ MP	31	10	5	3	0	49
Complaints	19	23	15	5	0	62
Ombudsmen	0	0	0	1	0	1
Compliments	1	1	2	2	2	8
TOTALS	52	34	22	11	2	121

Management can place Reasonable Assurance on the system of internal controls in operation, based on the proactive action currently being taken by EKH to develop an effective complaints management, monitoring and lessons learnt process. These processes are however yet to be fully embedded into EKH.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- A dedicated Complaints Officer is now in post to enable a consistent approach to be applied to dealing with, and recording complaints.
- Clear timescales have been set for processing and responding to complaints; which are being met.
- EKH is being proactive in developing effective complaints reporting to enable lessons to be learnt from recurring themes and issues; this is a new process which is evolving now that a dedicated Complaints Officer is in post and complaints recording and monitoring processes are improving.

Scope for improvement was however identified in the following areas:

- Although there are both Comments, Complaints and Compliments Policy, and a Vexatious Complaints Policy, both require updating to reflect changes to process and procedures.
- Complaints data should be regularly published.
- Information to customers and staff regarding the complaints process must be kept up to date.

2.8 East Kent Housing: Data Protection & Records Management – Reasonable Assurance:

2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that:

1. The organisation creates, holds, and maintains personal information about living individuals in accordance with the requirements of the legislation and deals with subject access requests and information sharing requests correctly; and
2. The authenticity, reliability, integrity and usability of the organisation's records are adequately maintained.

2.8.2 Summary of Findings

The General Data Protection Regulation (GDPR) 2018 comes in to effect from 25th May 2018 and replaces the Data Protection Act 1998. If an organisation or any one of

Agenda Item 4

Annex 1

its third parties breaches the data of a European citizen, the organisation could face a fine of 4% of annual global revenue or €20 million, whichever is greater. Accordingly, organisations will need to ensure that they effectively manage training, technical controls, and ongoing monitoring of employees as well as third parties. According to the ICO, infringements of the organisation's obligations, including data security breaches will be subject to the lower fine level, whereas infringements of an individual's privacy rights will be subject to the higher fine level.

This audit review focused on the implementation of GDPR because this is where the higher risk resides for East Kent Housing. The audit methodology and approach has been to work through all of the documentation used by management to evidence the work carried out to date in preparation for GDPR.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Management have established a realistic GDPR Implementation Plan which is currently being worked through;
- The Chief Executive has been appointed as the Data Protection Officer and is leading the organisation through the changes required to comply with the new regulations;
- East Kent Housing has carried out a review on personal data assets which has been mapped out in the form of an Information Asset Register;
- Most major roles and responsibilities have also been mapped out;
- Management have the capacity and capability to deal with Subject Access Requests within the new timescales in accordance with the new regulations; and
- East Kent Housing has been compliant with the Data Protection Act 1998 and no data breaches have been recorded since East Kent Housing formed in 2011.

Some project risks have however been identified. Due to the large financial penalties which could be imposed for non-compliance and the tight deadline (25th May 2018) many of the recommendations have been given a high priority in order to assist in the successful completion of the project. A small number of potential issues have been raised in the following areas:

- As a precaution, management should review the GDPR Implementation Plan with a view to addressing a number of potential key project risks namely: liaising with third party contractors; adequate engagement with IT & the roll-out and testing of data breach plans;
- Roles and legal responsibilities for identifying and reviewing existing data sharing agreements with contractors and third parties should be clarified; and
- EKH needs to ensure privacy notices are easily located online.

2.9 East Kent Housing: Property Services Improvement Plan – Reasonable Assurance:

2.9.1 Audit Scope

To provide assurance in respect of the implementation to date of the agreed actions within the 'Property Service Improvement Plan October 2016 to December 2017', by the target dates or progress towards thereto.

Agenda Item 4

Annex 1

2.9.2 Summary of Findings

The Property Services Improvement Plan for the period October 2016 to December 2017 was developed to address recommendations flowing from a review of the HRA capital, cyclical and planned investment commissioning and delivery process, and activities managed by East Kent Housing on behalf of the Local Authorities, undertaken by HQN. This identified thirty three action points across six areas.

Work has been carried out or is ongoing on a number of the actions. Below is a summary table of the thirty three original actions and their status based on the information that has been reported to the Property Services Improvement Plan Task and Finish Group as at January 2018. It is expected that at the next meeting of the Task and Finish Group in May 2018 the number of completed actions will have increased.

Area of Improvement Plan	Original No of Action Points	Actions			
		Completed	In Progress	Delayed	Started
Stock Data	9	4	2	3	
Project Management and Delivery	7		3	3	1
Communication and Liaison	3		2	1	
Contract Management	3		1	2	
Procurement	5	1		3	1
Staffing and Resources	6	4		2	
Totals	33	9	8	14	2
%		27.27	24.24	42.42	6.07

Although fourteen of the actions have been delayed, from discussions with EKH Officers, and the evidence provided, Management can place Reasonable Assurance on the system of internal controls in operation and the future delivery of the action plan.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- A significant amount of work has been carried out to implement the Strategic Asset Management (SAM) system which will assist Property Services in delivering a timetable for works and costing for them which can then be used for forecasting expenditure for each of the client authorities.
- A 2020 Procurement project is in place which is a programme that has buy in from all of the authorities that will look at how contracts are let (including response and proposed works) and will look to have possible services provided by several providers that are both large and local. Five work streams have been identified for various types of work. Information from the SAM system will also provide information to assist with this project.
- The Auditor has reviewed a sample of completed actions to ensure that the information reported to the Task and Finish group is correct and that there is

evidence in place to support this. In all instances there is evidence to support them being completed.

Scope for improvement was however identified in the following areas:

- Consideration should be given to showcasing the Strategic Asset Management (SAM) system to the Client Officers and the Task and Finish group to show them the information that it is able to produce. This includes forward plans to assist in procuring contracts including expected costs for budget purposes, decent homes works, and identify future spikes of expenditure.

2.10 East Kent Housing: Safeguarding Children & Vulnerable Groups – Reasonable/Limited Assurance:

2.10.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the organisation fulfils its legal obligations under section 11 of the Children Act 2004 and under the Safeguarding Vulnerable Groups Act 2006.

2.10.2 Summary of Findings

East Kent Housing, on behalf of the four district councils, has a legal obligation to comply with all statutory requirements in connection with its services and this includes the Children Act 2004 and the Safeguarding Vulnerable Groups Act 2006. The following shows some of the duties which should be demonstrated under the legislative framework:

- Management commitment to the importance of safeguarding and promoting the welfare of children and young people.
- Clear statement of the organisation's responsibilities towards children and young people.
- Clear line of accountability within the organisation for reporting safeguarding concerns.
- Safe recruitment procedures.
- Training on safeguarding and promoting the welfare of children and young people for all staff commensurate with their level of contact with children, young people and vulnerable adults.
- Safeguarding policies and procedures for contracted services.
- Effective inter-agency working to safeguard and promote the welfare of children, young people and vulnerable adults.
- Effective information sharing.

The Safeguarding Vulnerable Groups Act 2006 places a statutory duty on all those working with vulnerable groups to undergo an advanced vetting process.

Whilst Management can generally have Reasonable assurance in this area, there is some evidence of non-compliance with significant key controls resulting in a risk to the achievement of the system objectives, which suggests at least a partially limited assurance conclusion.

Agenda Item 4

Annex 1

Effective controls which support the Reasonable Assurance opinion were evidenced in the following areas:

- Safeguarding policies and procedures are in place and are currently being reviewed and updated;
- Safeguarding training is being undertaken on a regular basis, however as above, evidence of attendance and level of training is difficult to establish;
- Posts that require a DBS check have been identified and as a result of a staffing restructure, more staff are now in the process of being DBS checked.
- The revised structure provides a clear focus on supporting vulnerable households, with a dedicated Sustainment Team which brings together roles from across the organisation.

The primary finding giving rise to a partially Limited assurance opinion in this area however is as follows:

- EKH is going through a staffing restructure and is in a state of transition; at the time of the audit there was no central and consistent record of training and DBS checks for all of EKH making it difficult to reconcile the records that are held, against the latest establishment list and the DBS approved list. A combined central record of training undertaken, linked to DBS checks/holders, would provide a consistent format that could more easily be monitored and controlled to ensure that all staff had received the right level of training and DBS checks commensurate with their post.
- Centralising of records has been affected by the restructure, and priority was given to ensuring that staff with new responsibilities were DBS checked. EKH are therefore working towards a centralised record.

Scope for improvement was identified in the following areas:

- Enquiries found that partner councils wish to support EKH with safeguarding and that local steering groups are not always attended by the invited EKH representative.
- The safeguarding profile on the EKH website should be raised and also include a Senior Management/Board Member statement of commitment. Safeguarding policies are currently lost under the heading of 'Disabled Policy Adaptations'.

2.10.3 Management response - Following this review EKH have been able to confirm that all of the items identified within the action plan have been actioned including revised DBS processes following service restructure, provision of additional information on the website and the adoption of a new safeguarding policy framework.

2.11 EK Services – Housing Benefit Quarterly Testing (Quarter 3 of 2017-18):

2.11.1 Background:

Over the course of 2017-18 financial year the East Kent Audit Partnership will be completing a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.11.2 Findings:

For the third quarter of the 2017-18 financial year (October to December 2017) 20 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are also shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

2.11.3 Audit Conclusion:

For this quarter twenty benefit claims were checked and all were correctly calculated and there were no data quality errors.

2.12 EK Services – Housing Benefit Quarterly Testing (Quarter 4 of 2017-18):

2.12.1 Background:

Over the course of 2017-18 financial year the East Kent Audit Partnership will be completing a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.12.2 Findings:

For the fourth quarter of the 2017-18 financial year (January to March 2018) 20 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are also shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

2.12.3 Audit Conclusion:

For this quarter twenty benefit claims were checked and of these one had a financial error (5%) that impacted on the benefit calculation (5%) and there were no data quality errors.

For 2017-18 in total, eighty benefit claims have been checked of which two (2.5%) had a financial error that impacted on the benefit calculation and there were no data quality errors.

3.0. FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, five follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Agenda Item 4

Annex 1

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Not yet implemented	
a)	Allotments	Reasonable	Substantial	C	0	C	0
				H	0	H	0
				M	1	M	0
				L	1	L	0
b)	Building Control	Limited	Reasonable	C	0	C	0
				H	7	H	0
				M	5	M	0
				L	0	L	0
c)	Project Management	Limited	Limited	C	0	C	0
				H	13	H	4
				M	0	M	0
				L	0	L	0
d)	Procurement	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	0	M	0
				L	2	L	0
e)	Receipt & Opening of Tenders	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	3	M	1
				L	1	L	0

- 3.2 Details of any individual Critical and High priority recommendations still to be implemented at the time of follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 officer and Members' of the Governance and Audit Committee.

The purpose of escalating high-priority recommendation which have not been implemented is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

- 3.3 As highlighted in the above table, those areas previously reported as having either Limited or No assurance have been reviewed and, in respect of those remaining at below Reasonable assurance, Members are advised as follows:

a) Project Management:

The main issue, at the time of the initial review, which needed to be addressed, was that the Council does not yet have a clear project management strategy and methodology which has been formally approved by management – this remains the case. The Council is however in the process of developing a project management toolkit which will be promoted to relevant staff once adopted. It is anticipated that the toolkit will be in place by July 2018.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Performance Management, Data Protection, FOI & Information Management, Creditors & CIS, Income, Asset Management, and Your Leisure.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2017-18 internal audit plan was agreed by Members at the meeting of this Committee on 8th March 2017.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer or their nominated representative to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 3.

6.0 FRAUD AND CORRUPTION:

There are no known instances of fraud or corruption being investigated by the EKAP to bring to Members attention at the present time.

7.0 UNPLANNED WORK:

All responsive assurance / unplanned work is summarised in the table contained at Appendix 3.

8.0 INTERNAL AUDIT PERFORMANCE

- 8.1 For the period to 31st May 2018, 21.13 chargeable days were delivered against the revised target of 323.36 days which equates to 6.53% plan completion.
- 8.2 The financial performance of the EKAP is on target at the present time.
- 8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures.
- 8.4 The EKAP audit maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service.

Attachments

- Appendix 1 Summary of Critical and High priority recommendations not implemented at the time of follow-up.
- Appendix 2 Summary of services with Limited / No Assurances.
- Appendix 3 Progress to 31st May 2018 against the agreed 2018-19 Audit Plan.
- Appendix 4 Definition of Audit Assurance Statements & Recommendation Priorities

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS NOT IMPLEMENTED AT THE TIME OF FOLLOW-UP – APPENDIX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<i>Project Management – June 2018</i>		
<p>1. The Council should develop a clear project management strategy and methodology which should be approved by management.</p>	<p>To obtain agreement for CMT to formulate an across service ‘working party’ to bring together the wide range of functions to formulate the PM ‘Guide’.</p> <p>Working party to include Procurement/Finance/Comm’s/Monitoring/Risk</p> <p>Proposed Completion Date</p> <p>9 months - Apr 2018</p> <p>Responsibility Working Party - TBA</p>	<p>The Council should develop a PM toolkit, approved by management. There is no need for a strategy or a Working Party.</p> <p>The original action has not therefore been completed. The revised action will be in place by December 2018.</p> <p>Responsibility: to be determined, subject to organisational change.</p> <p>Recommendation Outstanding.</p>
<p>2. Once approved, the project management strategy/methodology should be adequately communicated to staff.</p>	<p>The TDC Intranet site will be updated once a PM ‘Guide’ has been agreed and approved.</p> <p>An agreed single point signpost will be incorporated within the TDC Intranet. Additional PM information meetings will be held in rolling out the PM ‘Guide’.</p> <p>Proposed Completion Date</p> <p>Follows ‘Guide’ months – April 2018 onwards</p> <p>Responsibility</p>	<p>The PM “Guide” or toolkit will be communicated through TOM, other internal communications channels and through training.</p> <p>The original action has not been completed. The revised action will be in place by December 2018.</p> <p>Recommendation Outstanding.</p>

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS NOT IMPLEMENTED AT THE TIME OF FOLLOW-UP – APPENDIX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<p>3. Relevant staff should be further trained in project management once the PM methodology and strategy has been fully developed and approved.</p>	<p>Comm’s Team/Procurement/PM</p> <p>Training has taken place and been given to all staff requesting through their Manager.</p> <p>Additional PM information meetings will be held in rolling out the PM ‘Guide’ to key officers.</p> <p>Proposed Completion Date</p> <p>Follows ‘Guide’ months – April 2018 onwards</p> <p>Responsibility</p> <p>HR/Comm’s</p>	<p>Training will be provided to relevant staff, once the toolkit is complete.</p> <p>The original action has not been completed. Training/mentoring will be available from December 2018.</p> <p>Recommendation Outstanding.</p>
<p>4. The arrangements for all project risks should be consistently documented, monitored, managed and reported upon, should be agreed and finalised.</p>	<p>Arrangements for monitoring of project risk to be agreed with CMT. Project data base of individual projects to be constructed from projects within Service Plans.</p> <p>Proposed Completion Date</p> <p>3-6 months – Feb 2018</p> <p>Responsibility</p> <p>PM/Monitoring Officer/Finance</p>	<p>Project risks will be managed through the use of the PM toolkit, which will include a risk template that integrates with the council’s risk management approach.</p> <p>The original action has not been completed. There is no revised action beyond that set out in Recommendation 1.</p> <p>Recommendation Outstanding.</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 2

Service	Reported to Committee	Level of Assurance	Follow-up Action Due
East Kent Housing – Safeguarding Children and Vulnerable Groups	July 2018	Reasonable/Limited	Autumn 2018

PROGRESS TO DATE AGAINST THE AGREED 2018-19 AUDIT PLAN – APPENDIX 3

THANET DISTRICT COUNCIL:

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-05-2018	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & Enforcement	10	10	0	Quarter 3
VAT	10	10	0	Quarter 3
RESIDUAL HOUSING SERVICES:				
Housing Allocations	10	10	0	Quarter 2
HRA Business Plan	10	10	0	Quarter 2
GOVERNANCE RELATED:				
Anti-Fraud & Corruption Assurance Mapping	10	10	0	Quarter 2
Complaints Monitoring	10	10	0	Quarter 2
Corporate Advice/CMT	2	2	0.07	Work-in-progress throughout 2018-19
s.151 Officer Meetings and Support	9	9	2.93	Work-in-progress throughout 2018-19
Governance & Audit Committee Meetings and Report Preparation	12	12	1.91	Work-in-progress throughout 2018-19
2019-20 Audit Plan and Preparation Meetings	9	9	0	Quarter 4
SERVICE LEVEL:				
Thanet Lottery	10	10	0	Quarter 4
Safeguarding Children & Vulnerable Groups	10	10	0	Quarter 4
Community Safety	10	10	0	Quarter 2
CCTV	10	10	0	Quarter 3
Dog Warden & Environmental Crime Enforcement	10	10	0	Quarter 4
Electoral Registration & Election Management	10	10	0.24	Work-in-Progress
Food Safety	10	10	0	Quarter 2
Pest Control	7	7	0	Quarter 4



Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-05-2018	Status and Assurance Level
Business Continuity & Emergency Planning	10	10	0	Quarter 3
Equality & Diversity	10	10	0.18	Work-in-Progress
Events Management	10	10	0	Quarter 3
Grounds Maintenance	15	15	0	Quarter 4
Licensing	10	10	0	Quarter 2
Museums	10	10	0	Quarter 2
East Kent Opportunities	10	10	0	Quarter 2
Street Cleansing	10	10	0	Quarter 3
Employee Health, Safety & Welfare	10	10	0	Quarter 4
OTHER :				
Liaison With External Auditors	1	1	0	Work-in-progress throughout 2018-19
Follow-up Reviews	15	15	1.7	Work-in-progress throughout 2018-19
FINALISATION OF 2017-18 AUDITS:				
Days under delivered in 2017-18	0	38.36	0	
Service Contract Management	5	5	0	Finalised - Reasonable
GDPR, FOI & Information Management			2.34	Work-in-Progress
Cash Collection, Income & bank Reconciliation			0.27	Work-in-Progress
Performance Management			8.05	Work-in-Progress
Asset Management			2.49	Work-in-Progress
TOTAL	285	323.36	21.13	6.53% as at 31-05-2018

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-05-2018	Status and Assurance Level
Planned Work:				
CMT/Audit Sub Ctte/EA Liaison	4	4	1.07	Work-in-progress



Review	Original Planned Days	Revised Planned Days	Actual days to 31-05-2018	Status and Assurance Level
				throughout 2018-19
Follow-up Reviews	4	4	0.27	Work-in-progress throughout 2018-19
Repairs & Maintenance	30	30	0	Quarter 2
Void Property Management	20	20	0	Quarter 3
Health & Safety	20	20	0	Quarter 4
Contract Monitoring	17	17	11.73	Work-in-Progress
Performance Management	15	15	0.34	Work-in-Progress
Welfare Reform	10	10	0	Quarter 2
Resident Involvement	10	10	0	Quarter 3
Service Level Agreements	10	10	0	Quarter 4
Finalisation of 2017-18 Audits:				
Days under delivered in 2017-18	0	10.94	0	Allocated
Complaints Management	0	0	0.36	Finalised - Reasonable
GDPR & Information Management	0	0	3.59	Finalised - Reasonable
Leasehold Services	0	0	1.15	Finalised - Reasonable
Tenancy & Fraud Prevention	0	0	1.32	Work-in-Progress
Property Services Action Plan	0	0	8.07	Finalised - Reasonable
Total	140	150.94	27.9	18.48% at 31-05-2018

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-05-2018	Status and Assurance Level
EKS Reviews:				
Housing Benefit Assessment	15	15	0	Quarter 3
Housing Benefit Testing	15	15	0	Quarter 3
Housing Benefits – DHPs	15	15	0	Quarter 2
Debtor Accounts	20	20	0	Quarter 3



Review	Original Planned Days	Revised Planned Days	Actual days to 31-05-2018	Status and Assurance Level
ICT – Network Security	15	10	0	Quarter 2
ICT – PSN Review	0	5	3.54	Work-in-Progress
ICT – PCI-DSS Compliance	15	15	0	Quarter 4
KPIs	5	5	0	Quarter 4
EKHR Reviews:				
Payroll	15	15	0	Quarter 4
Apprenticeships	15	15	0	Quarter 2
Absence Management	15	15	0	Quarter 3
Other;				
Corporate/Committee	8	8	1.55	Work-in-progress throughout 2018-19
Follow up	7	7	0.27	Work-in-progress throughout 2018-19
Days under delivered in 2017-18	0	47.79	0	Allocated
Finalisation of 2017/18 Audits:				
Housing Benefit Testing	0		6.82	Finalised
Payroll			4.86	Draft report
Employee Allowances & Expenses			0.68	Draft report
ICT Procurement & Disposal			9.19	Work-in-Progress
Council tax Reduction Scheme			1.64	Work-in-Progress
Total	160	207.79	28.55	13.74% at 31/05/2018

Appendix 4

Definition of Audit Assurance Statements & Recommendation Priorities

Assurance Statements:

Substantial Assurance - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

INTERNAL AUDIT ANNUAL REPORT

25 July 2018	Governance and Audit Committee
Report Author	Head of the Audit Partnership: Christine Parker
Portfolio Holder	Cllr Ian Gregory; Cabinet Member for Financial Services & Estates
Status	For Information
Classification:	Unrestricted.
Key Decision	No

Executive Summary:

This report provides the summary of the impact of the work of the East Kent Audit Partnership for the year to 31st March 2018.

Recommendation(s):

That the report be received by Members.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2017-18 budgets.									
Legal	The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.									
Corporate	Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.									
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1" style="width: 100%;"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td style="width: 50px;"></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td></td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table>		Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it		Foster good relations between people who share a protected characteristic and people who do not share it.	
Please indicate which aim is relevant to the report.										
Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,										
Advance equality of opportunity between people who share a protected characteristic and people who do not share it										
Foster good relations between people who share a protected characteristic and people who do not share it.										

	There are no equity or equalities issues arising from this report.
--	--

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	X
Supporting the Workforce	
Promoting open communications	X

1.0 Introduction and Background

1.1 The primary objective of Internal Audit is to provide independent assurance to Members, the Chief Executive, Directors and the Deputy Chief Executive (Section 151 Officer) on the adequacy and effectiveness of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to Members is to:

- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- Present a summary of the internal audit work undertaken to formulate the opinion.
- Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
- Comment on compliance with the PSIAS, and report the results of the Internal Audit quality assurance programme.
- Confirm annually that EKAP is organisationally independent, whether there have been any resource limitations or instances of restricted access.

1.2 The report attached as Annex A therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2017-18 for Thanet District Council, and provides an overall assurance on the system for internal control based on the audit work undertaken throughout the year, in accordance with best practice. In providing this opinion, this report supports the Annual Governance Statement.

1.3 The internal audit team is proactive in providing guidance on procedures where particular issues are identified during audit reviews. The aim is to minimise the risk of loss to the Authority by securing adequate internal controls. Partnership working for the service has added the opportunity for the EKAP to share best practice across the four sites within the East Kent Cluster to help drive forward continuous service improvement.

1.4 During 2017-18 the EKAP delivered 85.54% of the agreed audit plan days, with the 38.36 days under delivered to be adjusted for in 2018-19. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against targets, particularly as the EKAP has experienced staffing changes and delivered financial savings against its agreed budget to all its partners in the delivery of the service.

2.0 Options

2.1 That Members consider and note the annual internal audit report for 2017-18.

Agenda Item 5

- 2.2 That Members consider registering their comments with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going comments after considering the work or coverage of internal audit for the year 2017-18.

Contact Officer:	Christine Parker, Head of the Audit Partnership, Ext. 7190 Simon Webb, Deputy Head of Audit, Ext 7189
Reporting to:	Tim Willis, Deputy Chief Executive (s.151 Officer), Ext. 7617

Annex List

Annex A	East Kent Audit Partnership Annual Report – 25-07-2018
---------	--

Background Papers

Title	Details of where to access copy
Internal Audit Annual Plan 2016-17	Previously presented to and approved at the 15 th March 2016 Governance and Audit Committee meeting
Internal Audit Follow-up 2016-17	Previously reported to Governance and Audit Committee meetings in quarterly updates.
Internal Audit working papers	Held by the East Kent Audit Partnership

Corporate Consultation

Finance	Tim Willis, Deputy Chief Executive (s.151 Officer)
Legal	Tim Howes, Director of Corporate Governance

Annual Internal Audit Report for Thanet District Council 2017-18

1. Introduction

The Public Sector Internal Audit Standard (PSIAS) defines internal audit as:

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the agreed Audit Charter. The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council’s review of the system of internal control in operation throughout the year.

This report is a summary of the year, a snapshot of the areas at the time they were reviewed and the results of follow up reviews to reflect the actions taken by management to address the control issues identified. The process that the EKAP adopts regarding following up the agreed recommendations will bring any outstanding high-risk areas to the attention of Members via the quarterly reports, and through this annual report if there are any issues outstanding at the year-end.

2. Objectives

The majority of reviews undertaken by Internal Audit are designed to provide assurance on the operation of the Council’s internal control environment. At the end of an audit we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice. Other work undertaken, includes the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services for which they are responsible. The annual audit plan is informed by special investigations and anti-fraud work carried out as well as the risk management framework of the Council.

A key aim of the EKAP is to deliver a professional, cost effective, efficient, internal audit function to the partner organisations. The EKAP aims to have an enabling role in raising the standards of services across the partners through its unique position in assessing the relative standards of services across the partners. The EKAP is also a key element of each councils’ anti fraud and corruption system by acting as a deterrent to would be internal perpetrators.

The four partners are all committed to the principles and benefits of a shared internal audit service, and have agreed a formal legal document setting out detailed arrangements. The statutory officers from each partner site (the s.151 Officer) together form the Client Officer Group and govern the partnership through annual meetings. The shared arrangement for EKAP also secures organisational independence, which in turn assists the EKAP in making conclusions about any resource limitations or ensuring there are no instances of restricted access.

3. Internal Audit Performance Against Targets

3.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 6.88. Additional audit days have been provided via audit contractors, in order to meet the planned workloads. There was higher than usual sickness within the team during the year and early warnings of achieving approximately 85% of the plan were given during the quarterly meetings.

3.2 Performance against Targets

The EKAP is committed to continuous improvement and has various measures to ensure the service can strive to improve. The performance measures and indicators for the year are shown in the balanced scorecard of performance measures at Appendix 6. The measures themselves were reviewed by the Client Officer Group at their annual meeting and no changes were made.

3.3 Internal Quality Assurance and Performance Management.

All internal audit reports are subject to review, either by the relevant EKAP Deputy Head of Audit or Head of the Audit Partnership; all of who are Chartered Internal Auditors. In each case this includes a detailed examination of the working papers, action and review points, at each stage of report. The review process is recorded and evidenced within the working paper index and in a table at the end of each audit report. Detailed work instructions are documented within the Audit Manual. The Head of Audit Partnership collates performance data monthly and, together with the monitoring of the delivery of the agreed audit plan carried out by the relevant Deputy Head of Audit, regular meetings are held with the s.151 Officer. The minutes to these meetings provide additional evidence to the strategic management of the EKAP performance.

3.4 External Quality Assurance

The external auditors, Grant Thornton, conducted a review in February 2018 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP.

3.5 Liaison between Internal Audit and External Audit.

Liaison with the audit managers from Grant Thornton for the partner authorities and the EKAP is undertaken largely via email to ensure adequate audit coverage, to agree any complementary work and to avoid any duplication of effort. The EKAP has not met with any other review body during the year in its role as the Internal Auditor to Thanet District Council. Consequently, the assurance, which follows is based on EKAP reviews of Thanet District Council's services.

3.6 Compliance with Professional Standards

The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some actions are required to achieve full compliance which EKAP will continue to work towards. There is however, no appetite from the Client Officer Group to pay for an External Quality Assessment of the EKAP's level of compliance, relying on a review by the s.151 officers of the self-assessment. Consequently the EKAP can only say that it partially conforms with PSIAS and this risk is noted in the AGS.

3.7 Financial Performance

Expenditure and recharges for year 2017-18 are all in line with the Internal Audit cost centre hosted by Dover District Council. Financial management has delivered a cashable saving of 10% against budget.

Year	Cost / Audit Day
2006-07	£288
2007-08	£277
2008-09	£262 (Reserve Refunded to Partners)
2009-10	£281
2010-11	£268
2011-12	£257
2012.13	£279
2013-14	£290
2014-15	£287
2015-16	£293
2016-17	£294
2017-18	£300

The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. The net result is a reduced EKAP cost per audit day below the original budget estimate.

4. Overview of Work Done

The original audit plan for 2017-18 included a total of 23 projects. We have communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects actually undertaken continue to represent the best use of resources. As a result of this liaison, and due to the reduced available resources through sickness, some changes to the plan were agreed during the year. A few projects (9) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects to come forward in the plan (2). The total number of projects undertaken in 2017-18 was 16, with 3 being WIP at the year end to be finalised in April. In addition 5 projects were finalised from the 2016-17 plan. The team suffered long term sickness absence during the year and consequently the undelivered projects and 38.36 days have been rolled forward into 2018-19.

Review of the Internal Control Environment

4.1 Risks

During 2017-18, 76 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being Critical, High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
Critical	0	0%
High	23	30%
Medium	31	41%
Low	22	29%
TOTAL	76	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Members' attention through Internal Audit's quarterly update reports. During 2017-18 the EKAP has raised and reported to the quarterly Governance Committee meetings 76 recommendations, and whilst 71% were in the

High or Medium Risk categories, none are so significant that they need to be escalated at this time.

4.2 Assurances

Internal Audit applies one of four ‘assurance opinions’ to each review, please see Appendix 1 for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being “a snapshot in time” and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either ‘no’ or ‘limited’, or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 16 pieces of work completed for Thanet District Council together with the finalisation of the five 2016-17 audits over the course of the year is as follows:

NB: the percentages shown are calculated on finalised reports with an assurance level

Assurance	No.	Percentage of Completed Reviews
Substantial	6	37%
Reasonable	7	44%
Limited	3	19%
No	0	0%
Work in Progress at Year-End	3	-
Not Applicable	2	-

NB: ‘Not Applicable’ is shown against special investigations or work commissioned by management that did not result in an assurance level.

Taken together 81% of the reviews account for substantial or reasonable assurance, whilst 19% of reviews placed a limited or partially limited assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance.

There were seven reviews completed on behalf of East Kent Housing Ltd. and the assurances for these audits were - 0 Substantial, 5 Reasonable, 2 Limited, 0 Not Applicable and 2 work in progress at the year-end.. Information is provided in Appendix 3.

There were eight reviews completed on behalf of EK Services and the assurances for these audits were - 6 Substantial, 1 Reasonable, 1 Not Applicable and 3 work in progress at the year-end. Information is provided in Appendix 4

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. Those areas receiving either a ‘limited’ or ‘no’ assurance audit opinion during the year are detailed in the table at four, these areas are also recorded as an appendix to the quarterly report until the follow up report is issued, so that they do not get overlooked. The results of any follow up

reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time.

4.3 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up/progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- “closed” as they are successfully implemented, or
- “closed” as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) “closed” as management has decided to tolerate the risk, or the circumstances have since changed, or
- (for critical or high risks only) escalated to the audit committee.

At the conclusion of the follow up review the overall assurance level is re-assessed.

The results for the follow up activity for 2017-18 are set out below. The shift to the right in the third column in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of internal control in operation throughout 2017-18.

Total Follow Ups undertaken 15	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	5	5	5
Revised Opinion	0	4	3	8

The reviews with an original limited assurance, together with the result of the follow up report, are shown in the following table:

Area Under Review	Original Assurance	Follow Up Result
Street Cleansing	Limited	Limited
Museums	Limited	Limited
Grounds Maintenance	Limited	Limited
Local Code of Corporate Governance	Limited	Reasonable
Building Control	Limited	Reasonable

Consequently, there are three areas which remain limited after follow up and these have been escalated to the Governance and Audit Committee during the year. This is exceptional, and is flagged in the conclusion to this report ensuring the link to the Annual Governance Statement.

East Kent Housing received two follow up reviews for which the revised assurance levels were one Substantial, one Reasonable.

Agenda Item 5

EK Services received six follow ups; the revised assurances were Substantial for three reviews, Reasonable for two reviews and one with a partial Limited assurance, as follows.

Area Under Review	Original Assurance	Follow Up Result
PCI DSS	Limited	Reasonable/ Limited

The outstanding issue regarding PCI DSS was escalated to the Thanet District Council Governance and Audit Committee at their meeting held 27 September 2017.

4.4 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst two responsive pieces of work were carried out during the year at the request of management, there have been no new fraud investigations conducted by the EKAP on behalf of Thanet District Council.

4.5 Completion of Strategic Audit Plan

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations or management requests. 226.95 audit days were completed for Thanet District Council during 2017-2018, which represents 85.54% plan completion. The 38.86 days behind at the year end, will be adjusted in 2018-19. The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31st March each year there is undoubtedly some "work in progress" at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. However, the progress in ensuring adequate coverage against the agreed audit plan of work since 2007-08 concludes that EKAP is 38.86 days behind schedule as we commence 2018-19, as shown in the table below.

Year	Plan Days	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Carried Forward (Days Planned – Days Delivered)
2008-09	400	0	400.00	397.61	99.40%	-2.39
2009-10	408	2.39	410.39	399.82	97.42%	-8.18
2010-11	430	10.57	440.57	466.04	105.78%	+36.04
2011-12	342	-25.47	316.53	309.32	97.72%	-32.68
2012-13	320	7.21	327.21	318.20	97.25%	-1.80
2013-14	300	9.01	309.01	288.70	93.43%	-11.30
2014-15	300	20.31	320.31	315.67	98.55%	15.67

Agenda Item 5

2015-16	300	4.64	304.64	309.28	101.52%	9.28
2016-17	300	-4.67	295.33	315.05	106.67%	15.05
2017-18	285	-19.69	265.31	226.95	85.54%	-58.05
Total	3385			3346.64	98.87%	-38.86

Appendix 3 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Housing Ltd. Thanet District Council contributed 25 days from its original plan in 2011-12 and 20 days subsequently as it's share in this four way arrangement. From 2017-18 an additional 15 days has been contributed to the EKH Plan from each partner taking their total plan to 140 days. The EKH Annual Report in its full format will be presented to the EKH - Finance and Audit Sub Committee on 2nd July 2018.

Appendix 4 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Services. Thanet District Council contributed 60 days from its original plan as its share in this three-way arrangement. As EKS is hosted by TDC, the EKS Annual Report in its full format, is attached as Appendix 5.

5. Overall assessment of the System of Internal Controls 2017-18

Based on the work of the EKAP on behalf of Thanet District Council during 2017-18, the overall opinion is:

From the work undertaken, there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance.

During the year, there were three areas where a limited assurance level was concluded reflecting a lack of confidence in arrangements, and these were brought to officers' attention. These reviews are shown in the table in paragraph 6 along with the details of our planned follow up activity. Additionally there were three reviews which remained at Limited Assurance after follow up. This is exceptional. The areas range from key priorities of the Council, to an area where there is no budget or resources available. The risks associated with the audit findings are being tolerated until confirmation that the system of internal control has been improved and embedded. Over recent years, this has been hampered by a common theme of the lack of continuity of management which has a detrimental impact upon the implementation of agreed audit recommendations. In many cases, at the time of the follow-up, the Manager who originally agreed to the recommendations had moved on and a new manager had been appointed. It is hoped that the new structure will achieve stability going forward. Members of Governance and Audit Committee should be aware of this risk as it has impacted upon the risk management and internal control framework of the organisation.

6. Significant issues arising in 2017-18

From the work undertaken during 2017-18, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that the associated costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

Agenda Item 5

The EKAP has been commissioned to perform only one follow up, as listed above, there were three reviews that remained either fully or partially Limited Assurance after follow up and twenty-one recommendations that were originally assessed as high risk, which remained a high priority and outstanding after follow up were escalated to the Governance and Audit Committee during the year.

Reviews previously assessed as providing a Limited Assurance or partial No Assurance that are yet to be followed up are shown in the table below. The progress reports for these will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance (Date to Committee)	Progress Report Due
Service Contract Management	Limited July 2018	Quarter 4 2018-19
Local Code of Corporate Governance	Limited June 2017	Quarter 3 2018-19
Project Management	Limited June 2017	Quarter 3 2018-19

And for EK Services there was one review that remained Limited Assurance after follow up and two recommendations that were originally assessed as high risk, which remained a high priority and outstanding after follow up were escalated to the Governance and Audit Committee during the year.

Area Under Review	Original Assurance (Date to Committee)	Progress Report
PCI DSS	Limited September 2016	Quarter Two 2017-18

And for East Kent Housing there were no reviews remaining at Limited assurance after follow up, and two recommendations that were originally assessed as high risk, which remained a high priority and outstanding after follow up were escalated to the Governance and Audit Committee during the year there. There is one partially limited assurance awaiting a follow up (Safeguarding & Vulnerable Groups).

7. Overall Conclusion

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit plan for the year 2017-18, however, this is was partly due to the unusual sickness levels and there are no further matters of concern to be raised at this time.

It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

The EKAP assesses the overall system of internal control in operation throughout 2017-18 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

Definition of Audit Assurance Statements & Recommendation Priorities

Assurance Statements:

Substantial Assurance - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

Performance against the Agreed 2017-18 Thanet District Council Audit Plan

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2018	Status and Assurance Level
FINANCIAL SYSTEMS				
Car Parking & Enforcement	12	12	12.57	Finalised - Reasonable
Creditors & CIS	10	10	0.21	Work-in-Progress
Income	10	10	0.21	Work-in-Progress
Insurance & Inventories of Portable Assets	12	0	0	Postponed
RESIDUAL HOUSING SERVICES				
Right to Buy	8	0	0	See 2016-17 Finalisation work below
GOVERNANCE RELATED				
Data Protection, FOI & Information Management	14	14	2.00	Work-in-Progress
Anti-Fraud & Corruption	10	15	15.75	Finalised - Reasonable
Performance Management	10	10	0	Postponed
Risk Management	10	15	14.18	Finalised – Reasonable
Shared Service Monitoring	10	0	0	Postponed
Partnerships	8	8	0	Postponed
Scheme of Officer Delegations	8	8	10.23	Finalised - Substantial
Corporate Advice/CMT	2	2	3.34	Finalised for 2017-18
s.151 Officer Meetings and Support	9	9	12.01	Finalised for 2017-18
Governance & Audit Committee Meetings and Report Preparation	12	12	13.73	Finalised for 2017-18
2018-19 Audit Plan and Preparation Meetings	9	9	9.92	Finalised
CONTRACT RELATED				
Receipt & Opening of Tenders	8	8	6.18	Finalised - Substantial
SERVICE LEVEL				
Inward Investment	10	10	0	Postponed
S11 Safeguarding Return to KCC	1	0	0	Not Required in 2017-18
Pollution, Contaminated Land, Air & Water Quality	10	10	10.45	Finalised - Substantial
Land Charges	8	8	8.74	Finalised - Substantial
Asset Management	10	10	0	Postponed

Agenda Item 5

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2018	Status and Assurance Level
Allotments	8	8	8.02	Finalised – Reasonable
Local Plan	10	0	0	Postponed
Your Leisure	12	12	0	Postponed
Sports Development	8	8	0	Postponed
Operational Services - Vehicle Fleet Management	15	15	17.59	Finalised - Reasonable
Garden Waste & Recycling Income	10	10	12.96	Finalised - Reasonable
OTHER				
Liaison With External Auditors	1	1	0.2	Finalised for 2017-18
Follow-up Reviews	15	16	19.76	Finalised for 2017-18
FINALISATION OF 2016-17 AUDITS				
Days over delivered in 2016-17		-19.69		
Local Code of Corporate Governance			0.27	Finalised - Limited
Procurement			10.72	Finalised - Substantial
Project Management	5	25	1.48	Finalised - Limited
Service Contract Management			12.8	Finalised - Limited
Phones, Mobiles & Utilities			9.19	Finalised - Substantial
Right to Buy			3.4	Finalised - Reasonable
RESPONSIVE ASSURANCE				
Social Housing – External Decorations Contract	0	8	8.65	Finalised N/A
Social Housing – Fire Precaution Works	0	2	2.37	Finalised N/A
TOTAL	285	265.31	226.95	85.54%

Performance against the Agreed 2017-18 East Kent Housing Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-2018	Status and Assurance Level
PLANNED REVIEWS				
CMT/Audit Sub Ctte/EA Liaison	4	4	6.08	Finalised for 2017-18
Follow-up Reviews	4	4	4.82	Finalised for 2017-18
Finance Systems & ICT Controls	15	15	2.00	Postponed
Data Protection & Information Management	12	12	12.64	Finalised - Reasonable
Leasehold Services	15	15	26.24	Finalised - Reasonable
Fire Safety Records Management	15	18	17.23	Finalised - Limited
Safeguarding Children & Vulnerable Groups	10	15	15.09	Finalised – Reasonable/Limited
Tenancy & Right to Buy Fraud Prevention	10	10	0.22	Work-in-Progress
Risk Management	10	10	11.54	Finalised - Reasonable
Performance Management	5	0	0	Postponed
Complaints Monitoring	10	10	13.98	Finalised - Reasonable
Single System – Implementation Review	10	13	12.18	Finalised
Property Services Improvement Plan	20	0	5.94	Work-in-Progress
FINALISATION OF 2016/17 AUDITS				
Days under delivered in 2016-17	0	7.84	0	Completed
Performance Indicator Data Quality	0	0	8.62	Finalised - Reasonable
RESPONSIVE ASSURANCE				
Contract Management	0	14	0.31	Work-in-Progress
Total	140	147.84	136.90	92.60%

Performance against the Agreed 2017-18 EK Services Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-2018	Status and Assurance Level
EKS REVIEWS				
Housing Benefits Payments	15	16	15.51	Finalised - Substantial
DDC / TDC HB Testing	20	20	23.17	Finalised – N/A
Business Rates	20	18	17.51	Finalised - Substantial
Council Tax Reduction Scheme	15	15	0	Postponed
ICT – Data Management	15	17	16.79	Finalised - Substantial
ICT – Procurement & Disposal	15	15	0.17	Work-in-progress
EKHR REVIEWS				
Payroll	15	15	9.73	Work-in-progress
Employee Allowances & Expenses	15	15	13.99	Work-in-progress
Employee Health & Safety	15	0	0	Responsibility transferred
OTHER				
Corporate/Committee	8	10	5.98	Ongoing
Follow up	7	12	6.02	Ongoing
Days under delivered in 2016-17	17.70	17.70	0	Completed
FINALISATION OF 2016/17 AUDITS				
Housing Benefit Subsidy	24.70		7.92	Finalised - Substantial
ICT Change controls			2.34	Finalised - Substantial
ICT Software Licensing			3.45	Finalised - Reasonable
EKHR – Payroll & BIK			7.33	Finalised - Substantial
Total	177.70	177.70	129.91	73.11%

Annual Internal Audit Report for EK SERVICES 2017-18

1. Introduction/Summary

The main points to note from this report are that the agreed programme of audits has been completed with some projects being finalised as work in progress at 31st March 2018. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.

The financial management of the Internal Audit cost centre held by Dover District Council has performed well and has delivered a cashable saving of 10% against budget.

Overview of Work Done

The original audit plan for 2017-18 included a total of 9 projects. We have communicated closely with the s.151 Officers and the audit committees to ensure the projects actually undertaken continued to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. One project was postponed at management's request to accommodate changes, one review has been deleted from the plan as the responsibility has been transferred. The total number of projects undertaken in 2017-18 was 4, with 3 being WIP at the year end to be finalised in April. In addition 4 reviews carried over from 2016-17 were also finalised.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

During 2017-18, twenty three recommendations were made in the agreed final audit reports for EK Services. These are analysed as being High, Medium or Low risk in the following table, there were no critical risks raised:

Risk Criticality	No. of Recommendations	Percentage
High	10	43.5%
Medium	10	43.5%
Low	3	13%
TOTAL	23	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Councillors' attention through Internal Audit's quarterly update reports. During 2017-18 the EKAP has raised 23 recommendations, and whilst 87% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

Internal Audit applies one of four 'assurance opinions' to each review, this provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can

Agenda Item 5

be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 8 pieces of work completed for EK Services over the course of the year is as follows:

NB: the percentages shown are calculated on finalised reports with an assurance level

Assurance	No.	Percentage of Completed Reviews
Substantial	6	86%
Reasonable	1	14%
Limited	0	0%
No	0	0%
Work in Progress at Year-End	3	-
Not Applicable	1	-

NB: 'Not Applicable' is shown against quarterly benefit checks.

Taken together 100% of the reviews account for substantial or reasonable assurance. There were no reviews assessed as having a limited assurance.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

2.2 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- "closed" as they are successfully implemented, or
- "closed" as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) "closed" as management has decided to tolerate the risk, or the circumstances have since changed.

At the conclusion of the follow up review the overall assurance level is re-assessed. As Internal Audit are tasked to perform one progress report per original audit and bring those findings back, it is at this juncture that any outstanding high-risks are escalated to the Governance and Audit Committee via the quarterly update report.

Six follow up reports were carried out for EK Services during the year. The results for the follow up activity for 2017-18 will continue to be reported at the appropriate time. The results in the following table show the original opinion and the revised opinion

after follow up to measure the impact that the EKAP review process has made on the system of internal control.

Total Follow Ups undertaken 6	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	1	3	2
Revised Opinion	0	1	2	3

There are no fundamental issues of note arising from the audits undertaken in 2017-18. There was one review previously assessed as providing a Limited Assurance that continues to provide a partial limited assurance that was followed up in 2017-18. This was escalated to the Thanet District Council Governance and Audit Committee at their meeting held 27 September 2017.

2.3 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. During the year 2017-18 there have been no fraud investigations conducted by the EKAP on behalf of EK Services.

2.4 Completion of Strategic Audit Plan

The analysis in Annex A shows the individual reviews that were completed during the year. As at 31st March 2018 delivery was slightly behind plan and EKAP had delivered 129.91 days against 177.70 required (73.11%). The 47.79 days carried over will be adjusted in 2017-18 as part of the rolling three-year plan process. Some of these audits were postponed at management's request.

The EKAP completes a rolling programme of work to cover a defined number of days each year. As at the 31st March each year there is undoubtedly some "work in progress" at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. The progress in ensuring adequate coverage against the agreed audit plan of work since 2011-12 concludes that EKAP is 47.79 days behind schedule as we commence 2018-19, as shown in the table below

Year	Days Required	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Against Target
2011-12	169	0	0	143.90	85.15%	-25.10
2012-13	160	25.10	185.10	156.99	84.81%	-3.01
2013-14	160	28.11	188.11	156.96	83.44%	-3.04
2014-15	160	31.15	191.15	200.94	105.12%	+40.94
2015-16	160	-9.79	150.21	142.88	95.12%	-17.12
2016-17	160	7.33	167.33	149.63	89.42%	-10.37
2017-18	160	-17.70	177.70	129.91	73.11%	-30.09
Total	1129			1081.21	95.76%	-47.79

3.0 Significant issues arising in 2017-18

From the work undertaken during 2017-18, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

The EKAP has been commissioned to perform only one follow up, there was one review that remained a partial Limited Assurance after follow up, however three recommendations that were originally assessed as high risk, which remained a high priority and outstanding after follow up were escalated to the TDC audit committee.

There are no reviews previously assessed as providing a Limited Assurance that are yet to be followed up.

4.0 Overall Conclusion

The work of Internal Audit and this report contribute to the overall internal control environment in operation within EK Services, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts for each partner council. It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

Based on the work of the EKAP on behalf of EK Services during 2017-18, the overall opinion is that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The EKAP assesses the overall system of internal control in operation throughout 2017-18 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

Performance against the Agreed 2017-18 East Kent Services Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-2018	Status and Assurance Level
EKS REVIEWS				
Housing Benefits Payments	15	16	15.51	Finalised - Substantial
DDC / TDC HB Testing	20	20	23.17	Finalised – N/A
Business Rates	20	18	17.51	Finalised - Substantial
Council Tax Reduction Scheme	15	15	0	Postponed
ICT – Data Management	15	17	16.79	Finalised - Substantial
ICT – Procurement & Disposal	15	15	0.17	Work-in-progress
EKHR REVIEWS				
Payroll	15	15	9.73	Work-in-progress
Employee Allowances & Expenses	15	15	13.99	Work-in-progress
Employee Health & Safety	15	0	0	Responsibility transferred
OTHER				
Corporate/Committee	8	10	5.98	Ongoing
Follow up	7	12	6.02	Ongoing
Days under delivered in 2016-17	0	17.70	0	Completed
FINALISATION OF 2016/17 AUDITS				
Housing Benefit Subsidy	24.70		7.92	Finalised - Substantial
ICT Change controls			2.34	Finalised - Substantial
ICT Software Licensing			3.45	Finalised - Reasonable
EKHR – Payroll & BIK			7.33	Finalised - Substantial
Total	160.00	177.70	129.91	73.11%

EKAP Balanced Scorecard – 2017-18

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2017-18 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2017-18 Actual</u>	<u>Original Budget</u>
	Quarter 4		Reported Annually		
Chargeable as % of available days	84%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£300.38	£309.77
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£387,843	£385,970
CCC	89.19%	100%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£10,530	£10,530
DDC	104.64%	100%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£1,873	Zero
SDC	80.49%	100%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 	£396,500	£396,500
TDC	85.54%	100%	<ul style="list-style-type: none"> • Savings Achieved (10% of 2016-17 Budget) 	£34,620	10%
EKS	73.11%	100%			
EKH	92.60%	100%			
Overall	87.57%	100%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	53	-			
<ul style="list-style-type: none"> • Not yet due 	19	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	31	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2017-18 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2017-18 Actual</u>	<u>Target</u>
	Quarter 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	70		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	35		Percentage of staff holding a relevant higher level qualification	38%	38%
	= 50%		Percentage of staff studying for a relevant professional qualification	14%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	4.79	3.5
• Interviews were conducted in a professional manner	95%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	38%	38%
• The audit report was 'Good' or better	91%	90%			
• That the audit was worthwhile.	100%	100%			

This page is intentionally left blank

ANNUAL GOVERNANCE STATEMENT 2017-18

25 July 2018	Governance and Audit Committee
Report Author	Director of Corporate Governance and Monitoring Officer
Status	For Decision
Classification:	Unrestricted
Ward:	All wards

Executive Summary:
 To provide the Governance and Audit Committee with the draft Annual Governance Statement 2017/18.

Recommendation(s):
 Committee agree the draft Annual Governance Statement 2017/18 which will be shared with our external auditors for amendment (if necessary) prior to publication..

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no specific cost implications arising from this report which have not already been budgeted for.	
Legal	Regulation 6(1)(a) of the Accounts and Audit regulations 2015 require the council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published statement of accounts. Regulation 6(1)(b) of the Regulations require that the statement is the Annual Governance Statement.	
Corporate	The Annual Governance Statement is a corporate document and as such should be owned by all senior officers and members of the authority. Failure to accept the AGS will diminish the council's governance arrangements.	
Equality Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.	
	Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.	
	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	x
	Advance equality of opportunity between people who share a	x

	protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	x
The AGS supports the public sector equality duty directly.		

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	x

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	x
Supporting the Workforce	x
Promoting open communications	x

1.0 Introduction and Background

- 1.1 The annual governance statement (AGS) is a statutory document which explains the processes and procedures in place to enable the council to carry out its functions effectively.
- 1.2 The statement is produced following a review of the council's governance arrangements and includes an action plan to address any significant governance issues identified.
- 1.3 Governance and Audit Committee will consider this draft AGS and assurance gathering process. The AGS will then be audited and the Monitoring Officer will make any necessary changes before final publication on the 31 July 2018..

2.0 The Current Situation

- 2.1 The draft AGS, which is attached at Annex 1, should reflect the corporate governance environment of the council as detailed in the adopted Local Code of Corporate Governance. In essence, the AGS is the formal statement that recognises, records and publishes the council's governance arrangements.
- 2.2 The AGS is a key corporate document, and the Leader and Chief Executive have joint responsibility as signatories for its accuracy and completeness. In order to ensure that the AGS accurately reflects our Governance Framework, a number of sources of assurance are gathered to feed into the preparation of the document. It has been consulted upon with the Leader, Chief Executive / Section 151 Officer and all members of Corporate Management Team.
- 2.3 An action plan will be developed to address the governance issues identified. This will be monitored through the council's monitoring system and an update report will be provided to Governance and Audit Committee on a quarterly basis.

3.0 Process for developing the Annual Governance Statement

- 3.1 The Chief Executive, directors are required to complete an assurance statement which highlights any areas of weakness they perceive within the

Agenda Item 6

council. These assurance statements are then collated and significant issues identified are incorporated into the AGS.

- 3.2 Assurances were also sought from other areas within the council such as the Section 151 Officer and the Monitoring Officer regarding the operation of the governance framework. The following key areas also completed an assurance statement on compliance with the council's Performance Management and Data Quality frameworks, Procurement Strategy and Risk Management Strategy, identifying any governance issues that need to be addressed in the forthcoming year.
- 3.3 Statements were provided by the shared service partners we work with on compliance with the governance arrangements in place, and from EKHR in connection with the general principles of good conduct of officers.
- 3.4 The annual reports prepared by the chairs of Overview & Scrutiny Panel and Governance & Audit Committee were also referred to when preparing the AGS.
- 3.5 Assurance has been sought and obtained from the East Kent Audit Partnership. The auditors undertake regular audits on the council's governance arrangements and the control and risk frameworks. Their findings have been incorporated into the council's AGS. Members have previously received an assessment as to the effectiveness of the council's internal audit arrangements which concluded that the audit partnership is delivering an effective internal audit function which ensures that Members are confident with the reliance that can be placed in the auditors assurances on the council's governance arrangements..

4.0 Options

- 4.1 That Members accept the draft Annual Governance Statement 2017/18.
- 4.2 That Members propose changes to the draft Annual Governance Statement 2017/18

Contact Officer:	Tim Howes, Director of Corporate Governance
Reporting to:	Madeline Homer Chief Executive

Annex List

<i>Annex 1</i>	Draft Annual Governance Statement
----------------	-----------------------------------

Background Papers

Title	Details of where to access copy
-------	---------------------------------

Corporate Consultation

Finance	Ramesh Prashar Head of Finance
Legal	Sophia Nartey Interim Head of legal Services

This page is intentionally left blank



Thanet District Council Annual Governance Statement 2017-2018

July 2018

Scope of responsibility

Thanet District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016. This statement explains how Thanet District Council has complied with the code and also how we meet the requirements of the Accounts and Audit (England) Regulations 2016, which requires all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the principles of good governance and describes the arrangements the Council has put in place to meet each of these principles. A copy of the Council's Code is available on our website at www.thanet.gov.uk

The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework has been in place at Thanet District Council for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts.

The Governance Framework

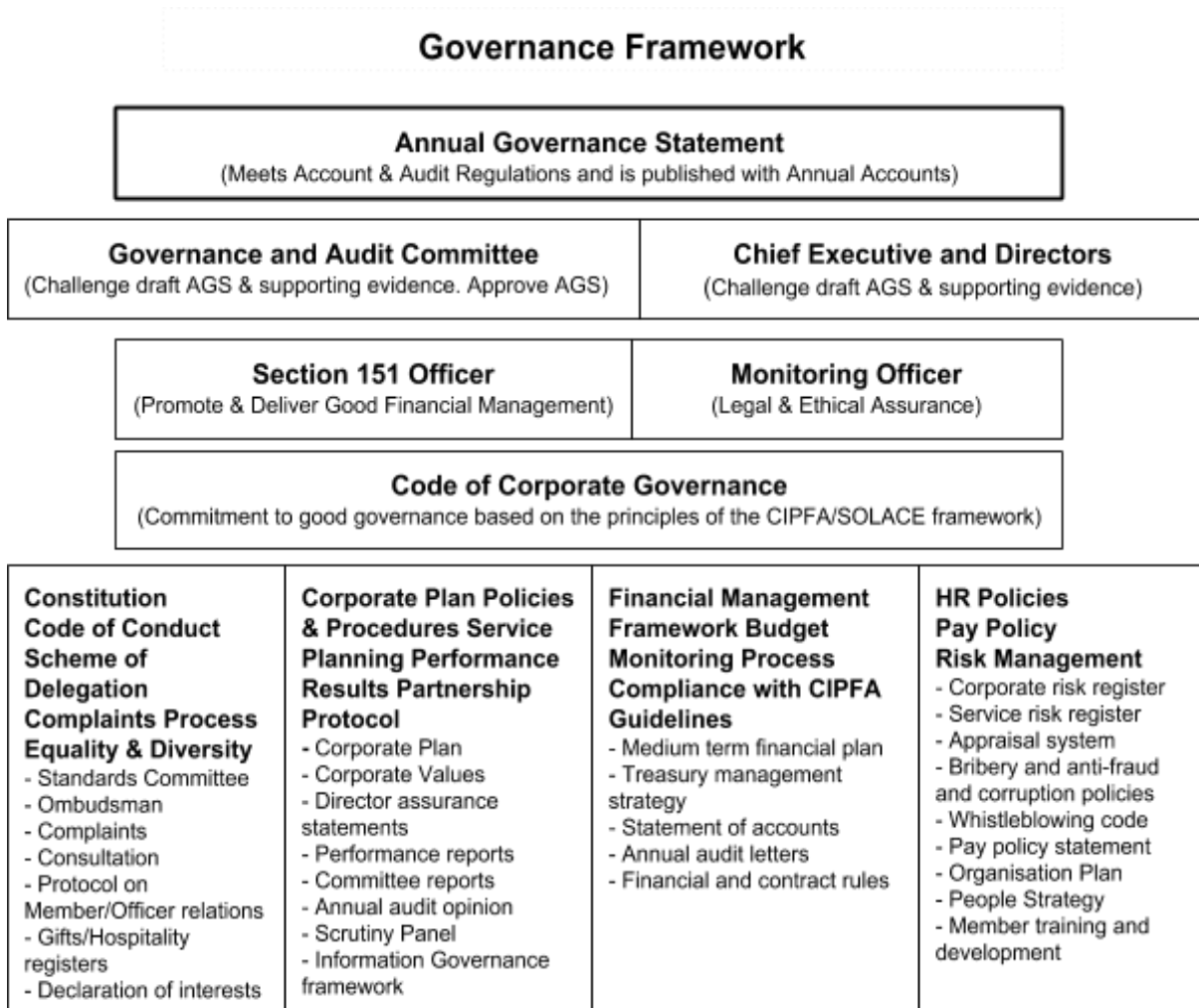
The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan. The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

Agenda Item 6

Annex 1

The local Code of Corporate Governance is reviewed annually through the Governance and Audit Committee. This last happened on 6 March 2018. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Corporate Management Team (CMT) which comprises the Chief Executive and Directors. The Code of Corporate Governance sets out the controls in full and can be found at:

<https://democracy.thanet.gov.uk/documents/s59241/Revised%20Code%20Report%202018.pdf>



Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of the Director of Corporate Governance and Section 151 Officer, who have responsibility for the development and maintenance of the governance environment;
- the review of the effectiveness of the Council's Internal Audit Arrangements 2017/18, as provided by the East Kent Audit Partnership;

Agenda Item 6

Annex 1

- comments made by the external auditors and other review agencies and inspectorates;
- the Audit & Governance Committee review that the elements of the governance framework are in place and effective, to ensure compliance with the principles.

The members of the Council's Corporate Management Team have completed assurance statements for each of their areas of control, acknowledging responsibility for risk management and internal control, and certifying satisfaction with the arrangements in place throughout 2017/18.

In accordance with section 3.7 of the Code of Practice on Local Authority Accounting for 2016/17, the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2010).

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. In 2017/18 the Monitoring Officer reviewed the Council's constitution and these were progressed through the Constitutional Review Working Party and Standards Committee before being recommended to Council.

The Annual Reports from the Standards Committee, Overview and Scrutiny Panel and Governance and Audit Committee have also been considered in preparing this statement.

Overview and Scrutiny Panel

The Panel's Corporate Performance Review Working Party received quarterly reports from the Council, EK Services and EK Housing and were able to question relevant officers on performance.

The Panel's Dreamland Working Group met for its fourth and last meeting on 31 July 2017. Members concluded that some important lessons had been learnt about project management and were satisfied despite the challenges, that Phase 1 had been successfully carried out and laid a good foundation for Phase 2. The lessons learnt would be used to successfully manage Dreamland Phase 2.

The Panels OSP Local plan Task and Finish Group was set up by the Panel in December 2017 and met three times to review proposals for the draft Local Plan as part of the preparations for considering these proposals at a formal Overview and Scrutiny Panel.

The working sessions conducted between October and November were arranged around the following topics: Housing; Employment and Economy; Infrastructure provision and Environmental Policy. Although there were no specific recommendations that were forwarded to the Panel by the sub group, Members used these sessions to get a better understanding of the rationale and technical detail underpinning these proposals.

There was one call-in made by the Panel in this municipal year and it related to the key officer decision regarding the closure of the Ramsgate District Office. The Panel was concerned that the closure of this office would limit access to some of the council services to some residents. After a number of queries regarding this decision were addressed by officers the Panel decided to take no further action. This was a useful and appropriate intervention by the Panel.

Internal Audit

The East Kent Audit Partnership report of the impact of the work of the East Kent Audit Partnership for the year to 31st March 2018. Concluded that:

From the work undertaken, there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance.

External Audit

In September 2017 the Council's external auditor (Grant Thornton) provided the Council with an unqualified opinion on the Council's accounts within their Annual Audit and Inspection letter, Grant Thornton also provided an unqualified opinion of the Council's arrangements to secure Value For Money.

Governance and Audit Committee

Internal Audit assessed corporate governance arrangements by measuring the Council against the requirements of the governance framework outlined in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government", and the results of this have been reported to the Audit and Governance Committee.

The Committee continues to discharge its responsibilities to provide independent assurance on the adequacy of the council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial performance.

There has been an audit of the Council's Risk Management arrangements and Anti-Fraud and Corruption (in both cases the audit opinion was 'reasonable assurance').

There was an audit of the Local Code of Corporate Governance and as a result, the Code was updated and agreed by the Governance and Audit Committee on the 6 March 2018.

Standards Committee

In his annual report the Independent Chair of the Standards Committee stated that overall the behaviour of members in Full Council has been satisfactory. Certainly the exchanges between the leading Members have been maintained in a respectful and appropriate manner. Regrettably, however there have been some isolated lapses from expected behaviour from some Members.

Complaints that have a social media content have again emerged as a key source; this notwithstanding the Council's advice, policy on use and training offered. Further, complaints involving Member against Member have become an increasing feature, which is to be regretted.

The Member Training Strategy, received and adopted by Full Council during 2017, was particularly welcomed especially as a product of cross party working. The Council is working actively for Charter status through compliance with the South East Employers Charter for Elected Member

Development. A Members' focus group has been engaged with a learning needs analysis for the quest for Charter accreditation and which already sustains the ongoing training programme already provided by the Council.

Constitutional Review Working Party (CRWP)

The Constitutional Working Party met on 20 February 2018. The substance of the changes being considered derive from issues that have arisen over the past six months. In due course the proposed changes will be presented to Full Council for approval. The infrequency of CRWP meetings continues to be testament to the considerable work to overhaul the Council's Constitution during the period 2015/16.

Corporate Risks

The following corporate risks relate to significant governance issues.

Limited Resources

The high score for Limited Resources reflects the fact that it is one of the few risks that in extremis could result in the council losing control of its own destiny. This, coupled with the challenging and uncertain external financial environment, the savings required in 2017-18 and beyond, and the low level of reserves has resulted in a continuing high overall score.

Political Stewardship

This continues to represent a risk to the council, especially in light of the need to approve publication of the Local Plan. There are actions being delivered through the Strategic Group to help develop the role of members; and the council continues to pursue opportunities for cross-party working.

Local Plan Adoption

Delay could impact investment in the area, investor confidence, and the commitment of partner organisations. Lack of evidence at Inspection risks planning decisions being overturned, risk of 'special measures' from CLG, no ability to demonstrate 5-year housing land supply, losing appeals or High Court challenges, costs awarded against the council. Mitigation is to ensure the evidence base is robust and defensible and timely and rigorous decision making is upheld.

These risks will be managed by the Corporate Management Team and will be reported separately to the Governance and Audit Committee.

Ombudsman Complaints

The Ombudsman received 47 complaints during the year, of which 2 were invalid, 28 were referred back for local resolution, 12 were closed after initial inquiries, 3 were not upheld and 5 were upheld.

The Ombudsman issued one public report against the Council. The investigation found the Council had wrongly calculated a family's housing priority, which meant it did not adequately reflect their housing need. The Ombudsman recommended an apology and a payment to acknowledge the

impact on the family of remaining in unsuitable accommodation for such a long period. The Council accepted the recommendations and fully complied with them.

There were no complaints which resulted in recommended actions with regard to significant governance matters.

Significant Governance Issues

Working towards good governance includes being open and transparent and supporting accountability to the public. The governance statement is one way of being more open about what is working well and what needs improvement. It is highly unlikely that everything will be 'fit for purpose': new risks emerge, expectations increase and controls change.

In concluding this overview of the Council's governance arrangements, the following issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. The aim is to address these weaknesses during the 2018/19 financial year, by way of an action plan for improving the governance framework and system of internal control. This will be subject to regular monitoring by the Committee.

Issue No.	Issues Identified	Summary of Action Proposed
1.	Limited Resources	This corporate risk will be monitored by the Corporate Management Team and reported to the Governance Audit Committee
2.	Political Stewardship	This corporate risk will be monitored by the Corporate Management Team and reported to the Governance Audit Committee
3.	Local Plan Adoption	This corporate risk will be monitored by the Corporate Management Team and reported to the Governance Audit Committee
4	The Contract Standing Orders and Financial regulations are out of date and need to be refreshed	These are soon to be published for consideration by the Constitutional Review Working Party, Standards Committee and Council.
4	The new Council website needs to include all revised documents which support the governance framework	This is substantially complete but will be reviewed during the year.
5	The terms of reference of the Governance and Audit Committee should be reviewed against CIPFA best practice	This is planned for late 2018.

Approval of the Annual Governance Statement

The governance arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.

Signed.....
Madeline Homer
Chief Executive

Date.....

Signed.....
Cllr Robert Bayford
Leader of the Council

Date.....

**ANNUAL REVIEW OF CORPORATE RISKS INCLUDING
QUARTERLY UPDATE**

25 July 2018

Governance & Audit Committee

Report Author

Tim Willis, Deputy Chief Executive

Portfolio Holder

**Cllr Councillor Jason Savage, , Portfolio Holder for
Corporate Governance and Coastal Development**

Status

For information

Classification:

Unrestricted

Key Decision

No

Ward:

All

Executive Summary:

This report provides Governance & Audit Committee with an annual review of corporate risks and a quarterly update.

Recommendation(s):

To note the report.

CORPORATE IMPLICATIONS

Financial and Value for Money	The way in which the council manages risks has a financial impact on the cost of insurance and self-insurance. The council maintains reserves including a risk reserve, the size of which is commensurate with the financial impact of current and future risks. There are no specific financial implications arising from this report.
Legal	Whilst the corporate risk register includes consideration of legal matters in as far as they relate to risks to the Council, there are no legal implications for the recommendation required by this report.
Corporate	Governance & Audit Committee approved the Risk Management Strategy on 9 December 2015 which includes a requirement to provide regular corporate risk updates to G&A Committee.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

	<p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p>									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Please indicate which is aim is relevant to the report</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table>		Please indicate which is aim is relevant to the report		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓	Foster good relations between people who share a protected characteristic and people who do not share it.	
Please indicate which is aim is relevant to the report										
Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,										
Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓									
Foster good relations between people who share a protected characteristic and people who do not share it.										
	<p>There are no equity or equalities issues arising from this report. The risk register identifies a number of activities designed to control risks and these will each need to be assessed for equality impact in their own right.</p>									

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1.0 Introduction and Background

- 1.1 Risk Management is a fundamental element of the Council's arrangements for ensuring goals are achieved and opportunities are taken up. To this end the Council has established its Risk Management Strategy and Process and has assigned responsibility to councillors and officers to ensure that the Council uses its resources effectively, and all that can be reasonable done, is done, to mitigate risk.
- 1.2 Whilst primary member oversight on risk is provided by G&A Committee, Cabinet also has a member Risk Champion (the Portfolio Holder for Corporate Governance and Coastal Protection) who promotes risk management and its benefits throughout the council. At staff level, the high-level corporate risk register is regularly considered by Corporate Management Team (CMT) and risk is a permanent item on its agenda. G&A Committee considers changes to the corporate risk register, the reasons for the changes and the actions being taken to mitigate the likelihood and impact of those risks. A view is also taken regarding the extent to which the risks should be tolerated. Looking beyond the corporate level, Heads of Service are responsible for maintaining service-level risks and project managers are responsible for project risks.
- 1.3 The Risk Strategy requires that there is a high-level annual review of corporate risk; this report presents this annual review, as well as incorporating the quarterly update of the corporate risk register.

2.0 Corporate risk register

- 2.1 A summary of the latest Corporate Risk Register is set out below, together with the risk scores noted by Governance & Audit Committee on 8 March 2017. The scores are arrived at by multiplying the “likelihood” score by the “impact” score, where the maximum score for each is four, so the maximum total score is sixteen.

Ref	Description	Mar 18 score	July 18 Score	Last Year Change
CR-01	Limited Resources	12	12	None
CR-02	Health and Safety at Work	12	12	None
CR-03	Political Stewardship	12	12	None
CR-04	Local Plan	12	12	None
CR-05	Homelessness	12	12	None
CR-06	Harbour flap gates	12	12	None
CR-07	Information Governance	9	12	Up from 9
CR-08	Project Management	9	9	None

- 2.2 Each corporate risk is the responsibility of a member of CMT and they manage risk mitigation plans with the aim of reducing the likelihood and/or impact of each risk to a manageable level. As time moves on, the external environment changes and this can have an impact on the effectiveness of mitigating actions as well as on the likelihood and impact of a risk: hence the need to maintain vigilance in respect of mitigation plans as well as new and changing risks.
- 2.3 It is more difficult to take action to reduce the impact of a risk occurring, than it is to take action to reduce its likelihood. Hence in some cases, the scores after mitigation will remain relatively high.

3. Highest-scoring risks

- 3.1 **Limited Resources:** The high score for Limited Resources reflects the fact that it is one of the few risks that in extremis could result in the council losing control of its own destiny. This, coupled with the challenging and uncertain external financial environment, the savings required in 2018-19 and beyond, and the low level of reserves has resulted in a continuing high overall score.
- 3.2 The council is establishing a track record of managing its resources, e.g. some £2.6m of budget savings were delivered as part of the 2017-18 budget process and the 2017-18 outturn is in line with budget. Plans are also under way to deliver income generation and cost savings projects to fund the £2.8m budget gap in 2018-19.
- 3.3 However, the severity of the impact of the risk becoming manifest (e.g. TDC having to terminate services, make large-scale redundancies and/or be externally governed or managed) has not diminished. The management of this risk is further compounded by the uncertainty created by the changing external environment, e.g. the review of local government funding.

- 3.4 **Health and Safety at Work:** There is a risk that the council and its staff will cause harm as a result of a lack of robust Health & Safety procedures, failure to embed those procedures, and failure to comply with the procedures. Despite the conclusion to the prosecution by the Health and Safety Executive, there remain substantial risks pending the mitigating actions including the implementation of a H&S management system.
- 3.5 **Political Stewardship:** This continues to represent a risk to the council, especially in light of the need to approve publication of the Local Plan. The council continues to pursue opportunities for cross-party working and member training.
- 3.6 **Local Plan Adoption:** The Council is one of 3 Councils who are in intervention as a result of not showing adequate progress on the Local Plan with SoS considering further direct intervention to expedite progress. The Council is now pursuing a revised timetable with the draft local plan going to Council 19th July for decision, the MHCLG have been informed of the revised timetable. Should the Council fail to agree the local plan and it not proceed to publication the Council remains open to:
- A significant delay would likely result in direct intervention by the Minister. The cost of any external work resulting from intervention would have to be borne by the Council;
 - All the time there is no adopted Local Plan, there is a significant risk that the Council cannot demonstrate a 5-year housing land supply. If this occurs, the Council would lose the ability to refuse housing applications in undesirable locations, or could face an increased risk of losing Planning Appeals and consequently a greater risk of costs being granted against the Council;
 - It is also likely that the Council would have to plan for the higher number of homes expected under the Government's new housing need methodology;
 - With the loss of control over new development, there is a greater risk that development will take place on a more unplanned basis;)
 - lack of investor confidence in Thanet potentially impacting on our aspirations for job creation, economic growth and confidence from private sector and/or partner organisations.
 - Allied to this is a significant risk to the provision of key infrastructure to support development - roads; schools; health facilities; etc; and
 - New policies relating to Local Green Space; energy and water efficiency, and internal space standards could not be applied.
- 3.7 **Homelessness:** Homelessness is increasing, both locally and nationally. This represents a significant risk to the council, increasing the costs associated with securing temporary and emergency accommodation and impact on the outcomes for residents.
- 3.8 **Information Governance:** One of the key task for the council has been the implementation of General Data Protection Regulation (GDPR). The EU General Data Protection Regulation (GDPR) replaces the Data Protection Directive 95/46/EC and is designed to harmonize data privacy laws across Europe, to protect and empower all EU citizens data privacy and to reshape the way organisations across the region approach data privacy. Non-compliance with the GDPR would compromise comparative data security and fair processing standards and, in turn, risks regulatory action against TDC and the prospect of, potentially, severe monetary penalties.
- 3.9 **Harbour Flap Gates:** The flap gate, mitre gates and lift bridge at the harbour all require urgent refurbishment and improvement. The purpose of this project has been to sustain the long term serviceability of both gate systems and the bridge to

avoid negative impact on marina customers and loss of associated revenue income.

4. De-escalated risks

- 4.1 Over time and/or as a result of control measures or a change in risk tolerance, some risks will diminish in comparison to other risks, and hence be removed from the corporate risk register.

5.0 Review of the year

- 5.1 The G&A Committee has continued to receive reports on risk management throughout the year. Its understanding of the issues, and members' insights into risk, with workshops being held for members of the Committee. The workshops focused on discussing the top corporate risks; identifying the key actions needed to reduce the likelihood of them occurring; and, if they did occur, actions to reduce the severity of their impact.
- 5.2 The risk management process has escalated the risk of further delay to the Local Plan to the corporate risk register.
- 5.3 Homelessness has grown as a challenge for many local authorities over the last year, Thanet included. There are additional pressures on Housing as the gap between supply and demand increases but plans have been developed to ensure that this pressure is minimised. The council has reviewed and is delivering its homelessness strategy action plan, is regularly monitoring the levels of homelessness and has commissioned new services to address the increasing need for support. This work will continue. The council has successfully bid for new government funding to support homelessness services locally, and been awarded additional flexible homelessness grant. Preparations for the introduction of the Homelessness Reduction Act which came into force in April 2018 have been completed. The council is also looking at introducing charges for residents in temporary and emergency accommodation to help with cost recovery with a Temporary Accommodation Officer leading on collection of charges, maximising housing benefit income and support households to move on to permanent homes. One of the options to increase the supply of permanent homes for homeless families which is the new housing acquisition programme is being implemented with 4 homes having been purchased and 3 further properties awaiting valuations. The 2018-19 capital programme includes provision for TDC developing or acquiring own emergency and temporary accommodation to help reduce cost and improve quality.
- 5.4 The major events over the year that have informed the CRR have been:
- Refurbishment of the Flap gates at the harbour. A bid for an urgent capital project was agreed in 2017-18 to refurbish the gates and bridge including hydraulic and electrical systems to sustain the long term serviceability of both gate systems and the bridge and to support continued revenue income generation by providing a reliable service to marina customers. Contract was awarded to Ravenstein who have completed all relevant surveys and the Mitre gates and Lift bridge were both removed on the 26th May, to be repaired and refurbished. The Mitre gates were re-installed on the 29th June and opening and closing is being monitored. Once we are satisfied that they are working the Flap Gates will be removed for refurbishment. Once removed the Flap Gates will be out of service for a 28 day period. Opening and closing of the gates during that time will be carried out manually. On the return of the Flap

Agenda Item 7

Gates all the additional infrastructure, electronics and hydraulics will be installed with the whole system fully automated and operation.

- General Data Protection Regulation (GDPR) implementation. This has required undertaking many tasks for example, GDPR awareness training for TDC staff and Members; working jointly with DCC; CCC and other Kent authorities to provide common approaches and templates; ensuring that TDC has displayed Corporate and Service Privacy Notices where required e.g on the council's website; review/amend contracts. Internal Audit has also been commissioned to review GDPR implementation. Another aspect of GDPR is Payment Card Industry Data Security Standard (PCI DSS) Compliance. PCI DSS applies to companies of any size that accept credit card payments. If your company intends to accept card payment, and store, process and transmit cardholder data, you need to host your data securely with a PCI compliant hosting provider. The council needs to ensure training is provided to all staff who are affected.
- Health & Safety at Work: The new cloud based document management system TAM (The Action Manager) has been rolled out. After a period of training and information transfer it is now fully online, with the health and safety documents library transfer complete, accident/incident reporting fully implemented, PPE (personal protective equipment) documentation transferred, COSHH (Control of Substances Hazardous to Health) data completed and the risk assessment transfer phase is almost complete. Weekly automated email dashboards are sent to management and users alike and real time data can be accessed depending on level of access. Heads of Service, managers have full access to their respective departments and can use the tasking system on TAM to shape their respective areas health and safety compliance. Some further training needs have been identified and these will be incorporated into a programme of training across TDC. Additional administrative resource will also be made available to manage the system. This will ensure that the existing momentum is maintained and that the system becomes fully embedded across the whole of the council.
- The court case for the prosecution by the Health & Safety Executive regarding Hand Arm Vibration Syndrome took place. A wide range of measures have been put in place to identify and manage health and safety issues in relation to the workforce.
- There remains continued uncertainty regarding the external funding environment and challenges of delivering the 2018-19 budget and Medium Term Financial Strategy. Although decisions were made to set the 2018-19 budget, there is now the challenge of staying within that budget. And there will be further substantial savings required to deliver the 2019-20 budget. This is within the context of an uncertain financial environment. For example, the government announcement to devolve business rates to local authorities has not been supplemented with the detail needed to assess its impact; also, the drive for devolution and the potential for restructuring of local government creates more uncertainty and costs.

6.0 Recommendation

6.1 To note the report.

Contact Officer:	Ramesh Prashar. Head of Financial Services
Reporting to:	Tim Willis, Deputy Chief Executive.

Corporate Consultation

Finance	Ramesh Prashar, Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance

This page is intentionally left blank

ANNUAL TREASURY MANAGEMENT REVIEW 2017-18

25 July 2018	Governance & Audit Committee
Report Author	Tim Willis, Deputy Chief Executive and Section 151 Officer
Portfolio Holder	Cllr Ian Gregory, Cabinet Member for Financial Services and Estates
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Reasons for Key <i>(if appropriate)</i>	N/A
<i>Previously Considered by</i>	N/A
Ward:	N/A

Executive Summary:

This report summarises treasury management activity and prudential/ treasury indicators for 2017-18.

Recommendation(s):

That the Governance & Audit Committee:

- Notes the actual 2017-18 prudential and treasury indicators in this report.
- Approves the Annual Treasury Management report for 2017-18.
- Recommends this report to council.

CORPORATE IMPLICATIONS

Financial and Value for Money	The financial implications are highlighted in this report.
Legal	Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the council's finances. For this council, this is the Deputy Chief Executive, Tim Willis, and this report is helping to carry out that function.
Corporate	Failure to undertake this process will impact on the council's compliance with the Treasury Management Code of Practice.
Equalities Act 2010 & Public Sector Equality Duty	There are no equity and equalities implications arising directly from this report, but the council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

	It is important to be aware of the council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by council.
--	--

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1.0 Introduction and Background

- 1.1 This council is required by regulations issued under the Local Government Finance Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017-18. This report meets the requirements of both the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2017-18 the minimum reporting requirements were that the full council should receive the following reports:
- an annual treasury strategy in advance of the year (council 09-02-2017)
 - a mid-year treasury update report (council 08-02-2018)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the council's policies previously approved by members.
- 1.4 This council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full council. Member training on treasury management issues was last undertaken on 21-09-2015 in order to support members' scrutiny role. The council's external treasury management advisor is Link Asset Services (Link).
- 1.5 The council's 2017-18 accounts have not yet been audited and hence the figures in this report are subject to change.

2.0 Link's Review of the Economy and Interest Rates (issued by Link in April 2018)

- 2.1 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for

this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of Gross Domestic Product (GDP), saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the Monetary Policy Committee (MPC) would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.

- 2.2 The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected. Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3–12 months increasing sharply during the spring quarter.
- 2.3 Public Works Loan Board (PWLB) borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 basis points for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Federal Reserve (Fed) raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.
- 2.4 The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets.

3.0 Overall Treasury Position as at 31 March 2018

3.1 At the beginning and the end of 2017-18 the council's treasury (excluding borrowing by private finance initiatives (PFI) and finance leases) position is outlined in Table 1.

Table 1 - Overall Treasury Position as at 31 March 2018

	31 March 2017 Principal	Rate/ Return	Average Life	31 March 2018 Principal	Rate/ Return	Average Life
	£'000		Years	£'000		Years
General Fund (GF) debt	11,629	3.14%	14.2	11,046	3.15%	13.9
Housing Revenue Account (HRA) debt	20,040	4.03%	8.9	20,040	4.03%	8.1
Total debt	31,669	3.71%	10.8	31,086	3.71%	10.2
GF CFR	26,706			23,812		
HRA CFR	20,377			20,787		

Total CFR	47,083			44,599		
Over / (under) borrowing	(15,414)			(13,513)		
Total investments	37,988	0.49%		40,882	0.36%	
Net debt / (investment)	(6,319)			(9,796)		

4.0 The Strategy for 2017-18

4.1 The expectation for interest rates within the treasury management strategy for 2017-18 was that Bank Rate would stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017-18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

4.2 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

4.3 During 2017-18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.

4.4 **Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2017-18 approved by the council on 09-02-17 was not revised during 2017-18.

5.0 The Borrowing Requirement and Debt

5.1 The council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR) and is shown in Table 2.

Table 2 - Council's Capital Financing Requirement

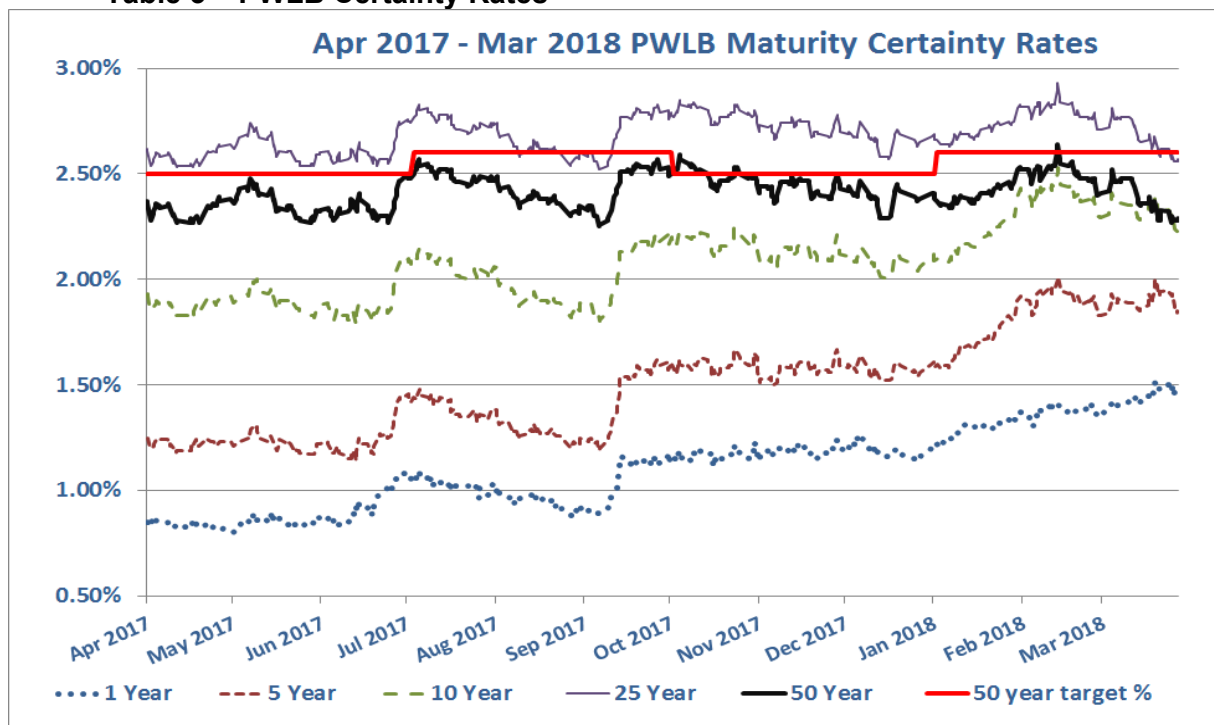
	31 March 2017 Actual £'000	31 March 2018 Budget £'000	31 March 2018 Actual £'000
CFR General Fund (GF)	26,706	30,963	23,812
CFR Housing Revenue Account (HRA)	20,377	27,283	20,787
Total CFR	47,083	58,246	44,599

The main reasons for the CFR variance are capital work which was due to be funded from prudential borrowing slipping from 2017-18 into future years, and settlement of the EKO spine road liability.

6.0 Borrowing Rates in 2017-18

6.1 **Public Works Loan Board (PWLB) certainty maturity borrowing rates** - the graph in Table 3 shows PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March. During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4. The graph for PWLB rates shows, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.

Table 3 – PWLB Certainty Rates



7.0 Borrowing Outturn for 2017-18

7.1 **Borrowing** – Table 4 outlines the General Fund loans drawn (from Salix Finance Ltd) to fund net unfinanced capital expenditure and any naturally maturing debt:

Table 4 –General Fund Loans drawn in 2017-18

Principal £000	Type	Interest Rate	Maturity	GF Average Interest Rate for 2017-18
43	Fixed interest rate - EIP	0.00%	01/04/2022	3.15%

Salix Finance Ltd provides interest-free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills.

This compares with a budget assumption of borrowing at an interest rate of 3% during the year.

- 7.2 **Rescheduling** – No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.
- 7.3 **Repayments** – The council repaid £626k of maturing debt using investment balances. Details of these are outlined in Table 5.

Table 5 – Maturing Debt Paid in 2017-18

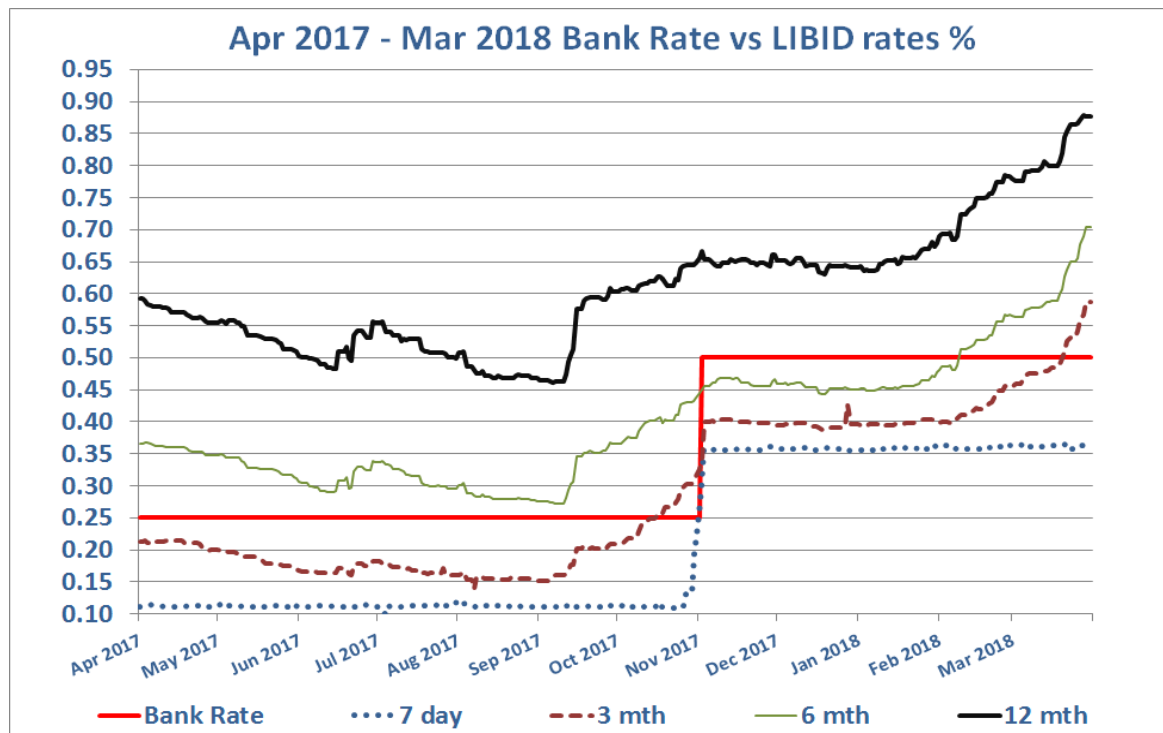
Lender	Principal £'000	Interest Rate	Repayment Date
PWLB	43	3.08%	23-04-17
PWLB	50	2.48%	27-05-17
PWLB	146	1.97%	27-05-17
PWLB	72	1.28%	20-06-17
Salix	4	0.00%	01-10-17
PWLB	43	3.08%	23-10-17
PWLB	50	2.48%	27-11-17
PWLB	146	1.97%	27-11-17
PWLB	72	1.28%	20-12-17
Total	626		

- 7.4 **Summary of debt transactions** – The average interest rate on the debt portfolio was unchanged during the year at 3.71%.

8.0 Investment Rates in 2017-18

- 8.1 Investments rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2.11.17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017-18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28.2.18.

Table 6 – Investment Rates



9.0 Investment Outturn for 2017-18

9.1 **Investment Policy** – the council’s investment policy is governed by the Ministry of Housing, Communities and Local Government (MHCLG) guidance, which has been implemented in the annual investment strategy approved by the council on 9 February 2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

9.2 The investment activity during the year conformed to the approved strategy.

9.3 **Investments held by the council** - the council maintained an average balance of £46.86m of internally managed funds. The internally managed funds earned an average rate of return of 0.36%. The comparable performance indicator is the average 7-day London Interbank Bid Rate (LIBID) rate, which was 0.22%. This compares with a budget assumption of £25m investment balances earning an average rate of 0.13%.

9.4 **Investments held by fund managers** – the council does not use external fund managers.

10.0 Investment risk benchmarking

10.1 The following investment benchmarks were set in the council’s 2017-18 annual treasury strategy:

10.2 **Security** - The council’s maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio.

- 10.3 **Liquidity** – in respect of this area the council seeks to maintain:
- Bank overdraft - £0.5m
 - Liquid short term deposits of at least £10m available with a week’s notice.
 - Weighted average life benchmark is expected to be 0.5 years, with a maximum of 1.0 year.
- 10.4 **Yield** - local measures of yield benchmarks are:
- Investments – internal returns above the 7 day LIBID rate
- 10.5 The council kept to the above benchmarks during 2017-18.

11.0 Options

- 11.1 The recommended option (to ensure regulatory compliance as set out in section 1 of this report) is that the Governance & Audit Committee:
- Notes the actual 2017-18 prudential and treasury indicators in this report.
 - Approves the Annual Treasury Management report for 2017-18.
 - Recommends this report to council.
- 11.2 Alternatively, the Governance & Audit Committee may decide not to do this and provide reason(s) why.

12.0 Next Steps

- 12.1 This report is to go to Cabinet and council for approval. Cabinet and council meetings are on 26 July 2018 and 6 September 2018 respectively.

13.0 Disclaimer

- 13.1 This report is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. Neither Thanet District Council nor any of its officers or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein (such information being subject to change without notice) and shall not be in any way responsible or liable for the contents hereof and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. Any opinions, forecasts or estimates herein constitute a judgement and there can be no assurance that they will be consistent with future results or events. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

Contact Officer:	Tim Willis, Deputy Chief Executive and Section 151 Officer, ext: 7617
Reporting to:	Madeline Homer, Chief Executive

Annex List

Annex 1	Prudential and Treasury Indicators
Annex 2	Report Guidance
Annex 3	Abbreviations and Definitions

Corporate Consultation Undertaken

Finance	Ramesh Prashar, Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer

This page is intentionally left blank

ANNUAL TREASURY MANAGEMENT REVIEW 2017-18

Annex 1: Prudential and Treasury Indicators

1. During 2017-18, the council complied with its legislative and regulatory requirements.

The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are shown in Table 1.

Table 1 – Prudential and Treasury Indicators

Actual prudential and treasury indicators	2016-17 Actual £000	2017-18 Budget £000	2017-18 Actual £000
Capital expenditure			
• GF	8,087	14,768	6,234
• HRA	5,156	21,882	4,492
• Total	13,243	36,650	10,726
Capital Financing Requirement (CFR):			
• GF	26,706	30,963	23,812
• HRA	20,377	27,283	20,787
• Total	47,083	58,246	44,599
External debt	31,669	31,086	31,086
Investments			
• Longer than 1 year	0	0	0
• Under 1 year	37,988	16,000	40,882
• Total	37,988	16,000	40,882
Net borrowing / (investment)	(6,319)	15,086	(9,796)

HRA: The capital expenditure variance is due to capital work slipping from 2017-18 into future years. In particular, £9.6m of the carry-over is in respect of the New Build Programme and £4m for the Margate Housing Intervention. The largest element of the CFR variance is due to the New Build Programme slippage (the largest funding component of this project being prudential borrowing).

GF: The capital expenditure variance is due to capital work slipping from 2017-18 into future years. In particular, £3m of the carry-over is in respect of the purchase of Mill Lane car park Margate and £1.5m towards urgent refurbishment and improvements to Ramsgate Harbour (gate, bridge and piles). The largest elements of the CFR variance are due to the Mill Lane car park slippage (which is due to be funded from prudential borrowing) and settlement of the EKO spine road liability.

2. **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017-18) plus the estimates of any additional capital financing requirement for the current (2018-19) and next two

Agenda Item 8

Annex 1

financial years. This essentially means that the council is not borrowing to support revenue expenditure. This indicator allows the council some flexibility to borrow in advance of its immediate capital needs in 2017-18.

3. **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the council does not have the power to borrow above this level. The table below demonstrates that during 2017-18 the council has maintained gross borrowing within its authorised limit.
4. **The operational boundary** – the operational boundary is the expected borrowing position of the council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.
5. **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 2 – Borrowing position / limit and financing costs

£000	2017-18
Authorised limit	70,000
Maximum gross borrowing position	31,712
Operational boundary	62,000
Average gross borrowing position	31,341
Financing costs as a proportion of net revenue stream - GF	6.0%
Financing costs as a proportion of net revenue stream - HRA	5.8%

Table 3 – Overall Treasury Position as at 31 March 2018

	31 March 2017 Principal	Rate/ Return	Average Life yrs	31 March 2018 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:						
-PWLB	27,169	3.63%	12.5	26,547	3.71%	11.8
-Salix	0			39	0.00%	2.0
-Market	4,500	4.19%	0.5	4,500	4.19%	0.5
Variable rate funding:						
-PWLB	0			0		
-Market	0			0		
Total debt	31,669	3.71%	10.8	31,086	3.71%	10.2
CFR	47,083			44,599		
Over/ (under) borrowing	(15,414)			(13,513)		
Total investments	37,988	0.49%		40,882	0.36%	
Net debt / (investment)	(6,319)			(9,796)		

6. The maturity structure of the debt portfolio was as shown in Table 4.

Table 4 – Maturity Structure of Debt Portfolio

£000	31 March 2017 actual	2017-18 upper limits	31 March 2018 actual
Under 1 year	5,123	15,543	5,131
1 year to under 2 years	623	15,543	5,432
2 years to under 5 years	10,215	15,543	5,144
5 years to under 10 years	3,249	17,097	3,006
10 years to under 20 years	6,539	15,543	6,453
20 years to under 30 years	3,000	15,543	3,000
30 years to under 40 years	1,920	15,543	1,920
40 years to under 50 years	1,000	15,543	1,000
50 years and above	0	15,543	0
Total debt	31,669		31,086

7. All investments at both the 2016-17 and 2017-18 year-ends were for under one year.

8. The exposure to fixed and variable rates was as shown in Table 5.

Table 5 – Exposure to Fixed and Variable Rates

	31 March 2017 Actual £000	2017-18 Limits £000	31 March 2018 Actual £000
Fixed rate	31,669 debt 12,811 investments	70,000 debt 45,000 investments	31,086 debt 17,811 investments
Variable rate	0 debt 25,177 investments	70,000 debt 50,000 investments	0 debt 23,071 investments

This page is intentionally left blank

ANNUAL TREASURY MANAGEMENT REVIEW 2017-18

Annex 2: Report Guidance

Overall Treasury Position

The Overall Treasury Position table shows the council's debt and Capital Financing Requirement (CFR) split between its General Fund (GF) and Housing Revenue Account (HRA). The HRA is a 'ring-fenced' account for local authority housing.

The CFR represents the council's aggregate borrowing need (the element of the capital programme that has not been funded). The council's debt should not normally be higher than its CFR as explained in section 2 of Annex 1.

Borrowing Repayments

PWLB is the Public Works Loan Board which is a statutory body operating within the UK Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

The council has the following types of fixed rate loan with the PWLB:

- Annuity: fixed half-yearly payments to include principal and interest.
- Equal Instalments of Principal: equal half-yearly payments of principal together with interest on the outstanding balance.
- Maturity: half-yearly payments of interest only with a single payment of principal at the end of the term.

Financing Costs as a Proportion of Net Revenue Stream

This shows (separately for HRA and GF) the percentage of the council's revenue stream that is used to finance the CFR (net interest payable and Minimum Revenue Provision (MRP)).

MRP is the annual resource contribution from revenue which must be set against the CFR so that it does not increase indefinitely.

Borrowing and Investments

Borrowing limits – there are various general controls on the council's borrowing activity (operational boundary, authorised limit, fixed and variable interest rate exposures, and maturity profiles).

General controls on the council's investment activity, to safeguard the security and liquidity of its investments, include:

- Creditworthiness of investment counterparties.
- Counterparty money limits.
- Counterparty time limits.
- Counterparty country limits.
- Limits on the Council's fixed and variable interest rate exposures.
- Minimum size of the Council's bank overdraft facility.

This page is intentionally left blank

ANNUAL TREASURY MANAGEMENT REVIEW 2017-18

Annex 3: Abbreviations and Definitions

- ALMO** an Arm's Length Management Organisation is a not-for-profit company that provides housing services on behalf of a local authority. Usually an ALMO is set up by the authority to manage and improve all or part of its housing stock.
- LAS** Link Asset Services, Treasury solutions – the council's treasury management advisers.
- CE** Capital Economics - is the economics consultancy that provides Link Asset Services, Treasury solutions, with independent economic forecasts, briefings and research.
- CFR** Capital Financing Requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.
- CIPFA** Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.
- CPI** Consumer Price Inflation – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.
- ECB** European Central Bank - the central bank for the Eurozone.
- EU** European Union.
- EZ** Eurozone -those countries in the EU which use the euro as their currency.
- Fed** The Federal Reserve, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.
- FOMC** The Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.
- GDP** Gross Domestic Product – a measure of the growth and total size of the economy.
- G7** The group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.
- Gilts** Gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a yield and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); yields therefore change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.
- HRA** Housing Revenue Account.
- IMF** International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

Agenda Item 8

Annex 3

- LIBID** The London Interbank Bid Rate is a bid rate; the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).
- MHCLG** The Ministry of Housing, Communities and Local Government - the Government department that directs local authorities in England.
- MPC** The Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.
- MRP** Minimum Revenue Provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).
- PFI** Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.
- PWLB** Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.
- QE** Quantitative Easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, like government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to ‘cool’ the economy.
- RPI** The Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main difference between RPI and CPI is in the way that housing costs are treated. RPI is often higher than CPI for that reason.
- TMSS** The annual Treasury Management Strategy Statement report that all local authorities are required to submit for approval by the full council before the start of each financial year.
- VRP** A Voluntary Revenue Provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

DRAFT AUDIT COMMITTEE ASSURANCE STATEMENT

25 July 2018	Governance and Audit Committee
Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr Jason Savage, Cabinet Member Corporate Governance and Coastal Development
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Reasons for Key	N/A
Ward:	All Wards

Executive Summary:

In accordance with auditing standards, the external auditor needs to establish an understanding of the management processes in place at the council. The Committee is asked to approve the content of the draft responses to the auditor.

Recommendations:

1. That the Committee notes and approves the responses to the letter from Grant Thornton as set out in Annex 2.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no direct financial implications arising from this report.
Legal	This is a statutory requirement.
Corporate	This is part of the external audit process.
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p>

	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	
Supporting the Workforce	
Promoting open communications	

1. Introduction and Background

- 1.1 To comply with international auditing standards our external auditor, Grant Thornton, need to establish an understanding of the management processes in place to detect fraud and to ensure compliance with law and regulation. The external auditor is also required to make enquiries of management as to their knowledge of any actual, suspected or alleged fraud.
- 1.2 The external auditor also needs to gain an understanding of how the Governance and Audit Committee maintains an oversight of the above processes.
- 1.3 All the above is contained in the letter from the external auditor dated 22 March 2018 and attached as Annex 1.
- 1.4 The questions and proposed responses, which is required to come from the Chairman of the Committee, is attached as Annex 2.

2. Options

- 2.1 The requirement to approve the Statement of Accounts is a statutory one and therefore no alternative action is recommended, as the Committee needs to be assured that the information submitted to the external auditor is sufficiently robust for their purposes.

Contact Officer:	Ramesh Prashar – Head of Financial Services Gary Whittaker – Interim Finance Manager
Reporting to:	Tim Willis – Deputy Chief Executive and s151 Officer

Annex List

Annex 1	Letter from Grant Thornton dated 22 March 2018
Annex 2	Draft Governance and Audit Committee Assurance Statement

Corporate Consultation

Finance	Ramesh Prashar, Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance

Councillor John Buckley
Chair of the Governance and Audit Committee
Thanet District Council
PO Box 9
Cecil Street
Margate
CT9 1XZ

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

T +44 (0)20 7383 5100

www.grant-thornton.co.uk

22 March 2018

Dear Cllr. Buckley,

**Thanet District Council Financial Statements for the year end 31 March 2018 -
Understanding how the Governance and Audit Committee gains assurance from
management**

To comply with International Auditing Standards, we need to establish an understanding of how the Governance and Audit Committee, as the Governing Body, gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as the Governance and Audit Committee Chair with your responses to the following questions.

- 1 How does the Governance and Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Governance and Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

I have attached a separate schedule which explores these areas in more detail, and this is included as an Appendix. Could you please complete this schedule and return it to me at your earliest convenience.

Agenda Item 10

Annex 1

For information, we are also required to make enquiries of management and have communicated with Tim Willis in his role as Section 151 Officer to obtain these responses. If you could provide us with the required responses by the end of April 2018 it would be most appreciated. If you have any queries then do not hesitate to contact me on the details below.

Yours sincerely

mdean

Matt Dean
Audit Manager
for Grant Thornton UK LLP

T +44(0)20 7728 3181
E Matthew.Dean@uk.gt.com

Appendix

Response from Governance and Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	
What are the results of this process?	
What processes does the Council have in place to identify and respond to risks of fraud?	
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
Are internal controls, including segregation of duties, in place and operating effectively?	
If not, where are the risk areas and what mitigating actions have been taken?	
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	
Are there any areas where there is a potential for misreporting?	
How does the Governing Body exercise oversight over management's processes for identifying and responding to risks of fraud?	
What arrangements are in place to report fraud issues and risks to the Governing Body?	
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2017?	

Laws and Regulations

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	
How does management gain assurance that all relevant laws and regulations have been complied with?	
How is the Governing Body provided with assurance that all relevant laws and regulations have been complied with?	
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2017?	
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	
Is there any actual or potential litigation or claims that would affect the financial statements?	
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	

Going Concern

Auditor Question	Response
What arrangements does the Council have in place to ensure itself that the Council remains a Going Concern for financial reporting purposes, and what were the results of that assessment for the purposes of the 2017-18 Accounts?	

Mr M Dean
Audit Manager
Grant Thornton UK LLP
Fifth Floor,
Grant Thornton House
Melton Street
London NW1 2EP

25 July 2018

Dear Mr Dean

Thanet District Council Financial Statements for the year end 31 March 2018 Understanding How the Audit Committee Gains Assurance from Management

Thank you for requesting my assistance with your current work on the 2017-18 accounts.

The Governance and Audit Committee, which was formed in 2006, has a comprehensive and varied remit which includes oversight of the council's governance and risk management processes, internal audit findings and other matters, such as the council's Treasury Management Strategy and Anti-Fraud and Corruption Policy. Within the detailed Terms of Reference assurance is given that the Committee will follow the CIPFA best practice model.

In order to adequately discharge their role to ensure that the processes are not only adequate but are complied with and weaknesses remedied in a timely manner, new Committee Members are provided with induction training and a supporting guidance booklet.

Where extra training is required Governance and Audit Committee Members agreed to continue with utilising the first half hour of meetings for training time as required. Additional training sessions have been undertaken to deal with particularly complex topics, such as the Statement of Accounts and Treasury Management provided by Link the Council's external provider for Treasury Services.

The specific work that the Committee considered at its meetings during 2017-18 financial year, which relate to the points that your raise within your letter included:

- Approving the council's Local Code of Corporate Governance and Governance Framework
- Discussing emerging key business risk in accordance with the Risk Management Strategy
- Reviewing reports on progress against the Audit Plan and implementation of agreed Internal Audit recommendations
- Discussion as to how internal audit work is undertaken and in particular how key risks are managed and
- Considering the action plan to address matters of concern arising from the Annual Governance Statement.
- Regular Treasury Management updates including the mid- year and end of year outturn.

These can be evidenced from the Council's published meeting agendas and minutes available from the website, link provided below:

Agenda Item 10

Annex 2

<http://democracy.thanet.gov.uk/ieListMeetings.aspx?CId=114&Year=0>

The aforementioned details go some way in answering your enquiry as to how the Governing Body oversees management's processes. With regard to the assessment of the risk of the financial statements being materially misstated due to fraud or error, management have put in place measures to assess risks associated with the operation of a robust key control framework. The key control framework includes adequate segregation of duties within the Finance team and an active personal development plan which means that sufficient members of the section are adequately skilled to not only perform the functions of their role, but be alert to any anomalies that could indicate a misstatement due to fraud.

Senior finance officer's reviews of the draft financial statements are also undertaken which minimises the risk of any material inconsistencies.

Over and above the controls built into the financial procedures, further assurance can be gained from the thorough review programme undertaken by Internal Audit, who offer a proactive, independent and effective scrutiny of the council's financial processes. The Head of Internal Audit has access to the Chair of Governance and Audit at all times, to further strengthen their freedom to report any suspicions of fraud.

In terms of communicating to staff and members the commitment to good governance and anti-fraud principles, a number of different media are used including the Thanet Online Matters (TOM) Intranet site, the Managers' Forums and formal staff and member development sessions. Issues relating to the process of identifying and reporting the risk of fraud, possible breaches of internal control and other business proactive and ethical behaviour regularly feature as part of these.

In reply to your question about reported frauds within the financial year; to my knowledge there have been several cases of tenancy fraud followed up by the service but no other major incidences have been reported

I can confirm, as Chair of the Governance and Audit Committee, through making enquiries of relevant officers I have gained assurance that the relevant laws and regulations have been complied with by having regard to:

- An experienced, well-resourced in-house legal team with a budget to commission specialist advice as and when required
- Legal implications of key decisions and actions being included in reports wherever necessary, with draft reports being considered by the legal team and Corporate Management Team prior to being published
- The council having comprehensive Financial Regulations and Contract Procedure Rules in place to ensure that they meet best practice standards. These documents, along with the Scheme of Delegation, set the framework for ensuring that transactions are undertaken and decisions are made in accordance with statutory requirements

<http://democracy.thanet.gov.uk/documents/s50403/Constitution%20for%20Governance%20of%20Thanet%20District%20Council%20-%202025%20Feb%202016.pdf>

Agenda Item 10

Annex 2

I am not aware of any actual or potential litigation of claims that would affect the financial statements but there are some issues that are currently being managed. With regard to Dreamland the settlement in relation to the CPO action remains outstanding at this moment in time. Our insurers are handling a small amount of claims in respect of hand arm vibration cases affecting current and previous Council employees.

This letter (drafted by officers) was presented to the Governance and Audit Committee on the 25 July 2018 who noted and endorsed the responses to the letter from Grant Thornton dated the 22 March 2018. I chaired the meeting as Chairman of the Governance and Audit Committee and sign the letter in that capacity.

Should you need any further assistance please do not hesitate to contact me.

Yours sincerely

Councillor Day
Chair of Governance and Audit Committee.

Agenda Item 10

Annex 2

Response from Governance and Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	Yes, the Internal audit plan includes a risk based audit of the core financial systems that are used in the compilation of the financial statements
What are the results of this process?	Assurance levels from Internal Audit are satisfactory and inherent risk is considered to be minimal
What processes does the Council have in place to identify and respond to risks of fraud?	The Council operates a robust key control framework within approved financial procedures that is regularly reviewed by internal audit. This includes ensuring that the finance team are adequately skilled and alert to anomalies that could indicate a misstatement due to fraud; a devolved budget management system which means that managers have sight of financial transactions and can therefore identify any potential anomalous entries; senior management reviews of the financial statements are also undertaken to aid the identification of material inconsistencies.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	A review of awards, reliefs and discounts in respect of Council Tax, Business Rates and Housing Benefit has been carried out within the Framework of East Kent Services. All areas will be regularly monitored in the future to ensure early notification of potential fraud. All policies have been provisionally reviewed and changes in respect of counter fraud initiatives will be introduced into Financial regulations in 2018-19.
Are internal controls, including segregation of duties, in place and operating effectively?	Managers are aware of the need for segregation of duties and these are in place in key areas. The Internal Audit Plan looks at the internal controls on a regular basis and audit reports give a satisfactory level of assurance. Non-Finance personnel have restricted access to the financial systems and Finance staff, regularly monitor all transactions.
If not, where are the risk areas and what mitigating actions have been taken?	Functional risks are reviewed on a regular basis and management, mitigating actions taken where appropriate.
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	No, all financial transactions are regularly tested and financial performance monitored with service managers. Senior Financial management reviews take place on a regular and ad-hoc basis to maintain the integrity of financial records

Agenda Item 10

Annex 2

Auditor Question	Response
Are there any areas where there is a potential for misreporting?	No, all financial reports are referenced to previous approvals given by council in order to maintain consistency in reporting
How does the Governing Body exercise oversight over management's processes for identifying and responding to risks of fraud?	The Governance and Audit Committee receives regular updates from Internal Audit on the results of their audit reviews on key internal controls. Any instances of fraud are reported to the Committee. Regular reviews are carried out on anti-fraud/corruption policies together with member training on an as necessary basis.
What arrangements are in place to report fraud issues and risks to the Governing Body?	See Above. The Head of the East Kent Audit Partnership also has direct access to the Chair of the Governance and Audit Committee.
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	The Council's commitment to good governance and anti-fraud principles are communicated using the Council's intranet site, Managers' development sessions, staff and member development sessions
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Council's whistleblowing policy is widely publicised and officers feel comfortable at raising concerns where appropriate. Staff are expected to raise concerns whenever they suspect something untoward is going on. The whistleblowing policy has to identify suspected fraud and all such instances been used by staff have been fully investigated.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Members are expected to disclose any transactions they have entered into of a related party nature. I am not aware of any such relationships or transactions that have given rise to risks of fraud
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2017?	None.

Laws and Regulations

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	An experienced, well-resourced in-house legal team with a budget to commission specialist advice as and when required
How does management gain assurance that all relevant laws and regulations have been complied with?	Legal implications of key decisions and actions being included in reports wherever necessary, with draft reports being considered by the legal team and Corporate Management Team prior to being published. An on-going programme of Internal Audit Reviews is undertaken by the East Kent Audit Partnership. The Whistle-blowing policy provides staff with the ability to report to management where laws and regulations have not been complied with.

Agenda Item 10

Annex 2

Auditor Questions	Response
How is the Governing Body provided with assurance that all relevant laws and regulations have been complied with?	<p>All reports to Cabinet and Council require the Legal Team and Finance Team to review and provide comments on the reports prior to going forward to Members. The council has comprehensive Financial Regulations and Contract Procedure Rules in place to ensure that best practice standards are met. These documents, along with the Scheme of Delegation, set the framework for ensuring that transactions are undertaken and decisions are made in accordance with statutory requirements.</p> <p>The East Kent Audit Partnership prepare audits to ensure compliance with relevant laws and regulations and gather evidence during the audit process. Quarterly monitoring reports produced by the Head of the Audit of the Partnership identify any non-compliance with relevant laws and regulations and agree management actions to remedy the situation</p>
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2017?	No.
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Council Departments are advised to keep Legal advised of any possible claims. If claims are received these are quantified and risk established and an appropriate notification is made to Finance officers to provide advanced notice of possible liability.
Is there any actual or potential litigation or claims that would affect the financial statements?	Any major or potential issues that would affect the financial statements have already been accounted for.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No

Going Concern

Auditor Question	Response
What arrangements does the Council have in place to ensure itself that the Council remains a Going Concern for financial reporting purposes, and what were the results of that assessment for the purposes of the 2017-18 Accounts?	<p>Section 2.1.2.6 of the 2017-18 code of Practice states an authority's financial statements shall be prepared on a going concern basis.</p> <p>Section 3.4.2.23 of the 2017-18 Code of Practice confirms that local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting.</p>

THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

Do I have a Disclosable Pecuniary Interest and if so what action should I take?

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

Do I have a significant interest and if so what action should I take?

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
 - exercises functions of a public nature; or
 - is directed to charitable purposes; or
 - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -

- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the

matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £25 or more. You **must**, at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

What if I am unsure?

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Committee Services Manager well in advance of the meeting.

DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS, SIGNIFICANT INTERESTS AND GIFTS, BENEFITS AND HOSPITALITY

MEETING.....

DATE..... AGENDA ITEM

DISCRETIONARY PECUNIARY INTEREST

SIGNIFICANT INTEREST

GIFTS, BENEFITS AND HOSPITALITY

THE NATURE OF THE INTEREST, GIFT, BENEFITS OR HOSPITALITY:

.....
.....
.....

NAME (PRINT):

SIGNATURE:

Please detach and hand this form to the Democratic Services Officer when you are asked to declare any interests.